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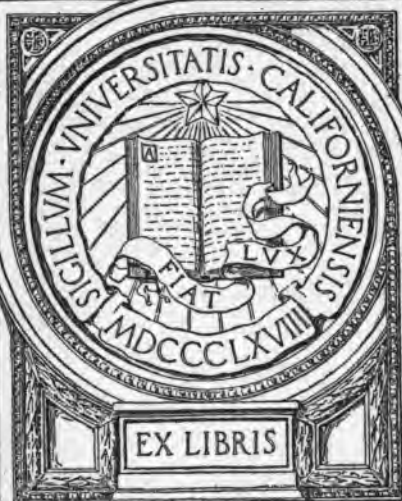
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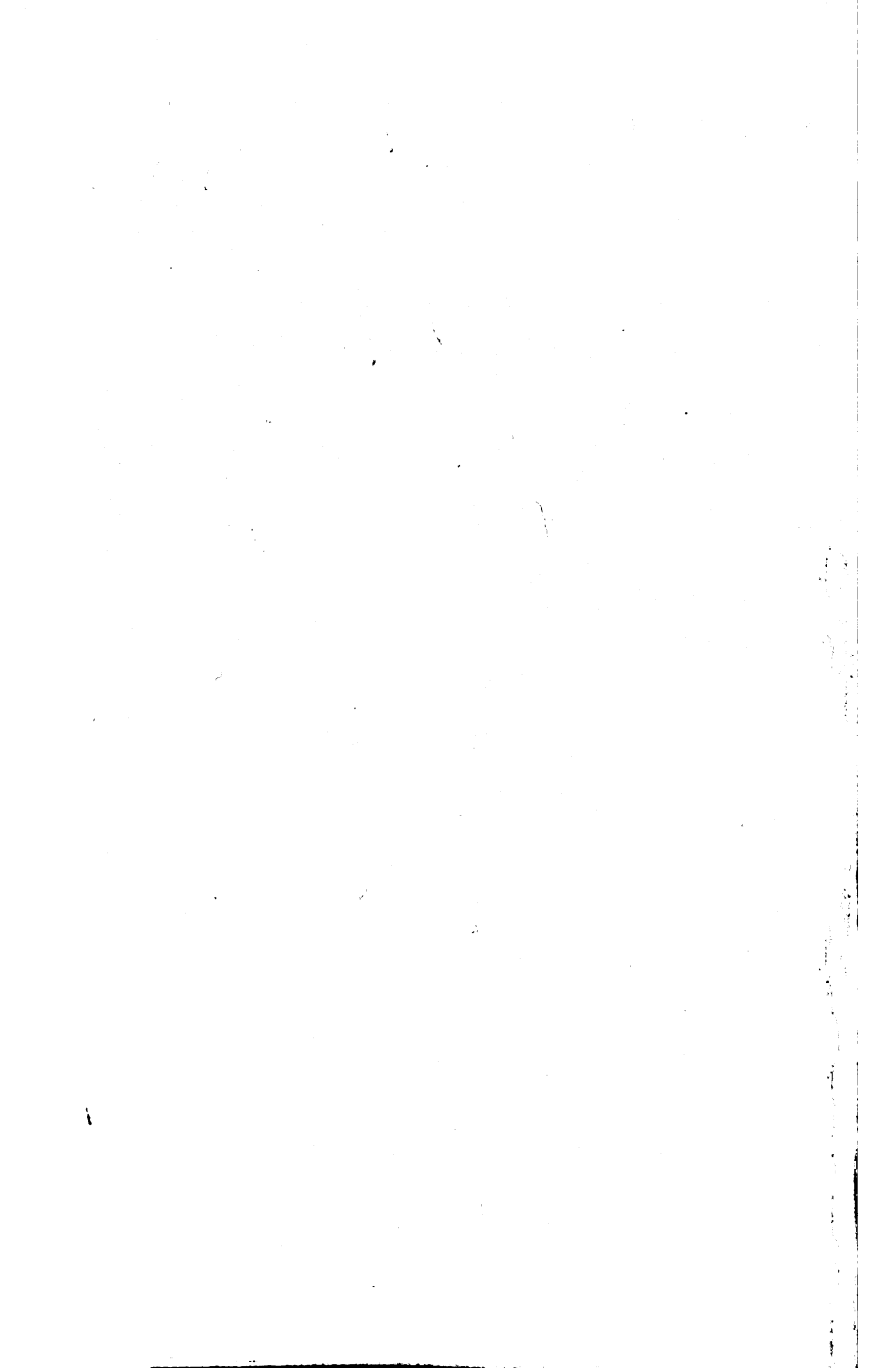


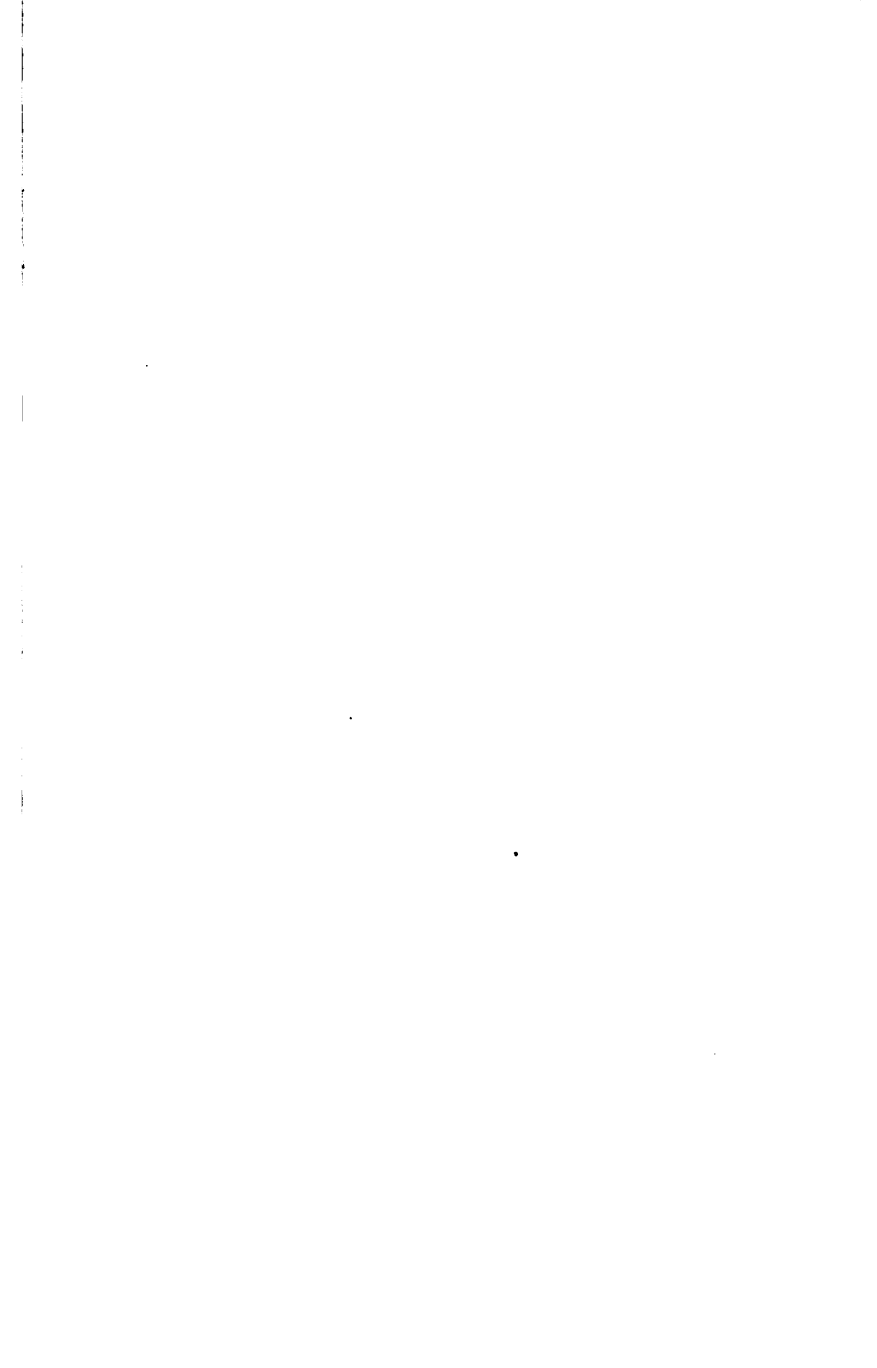
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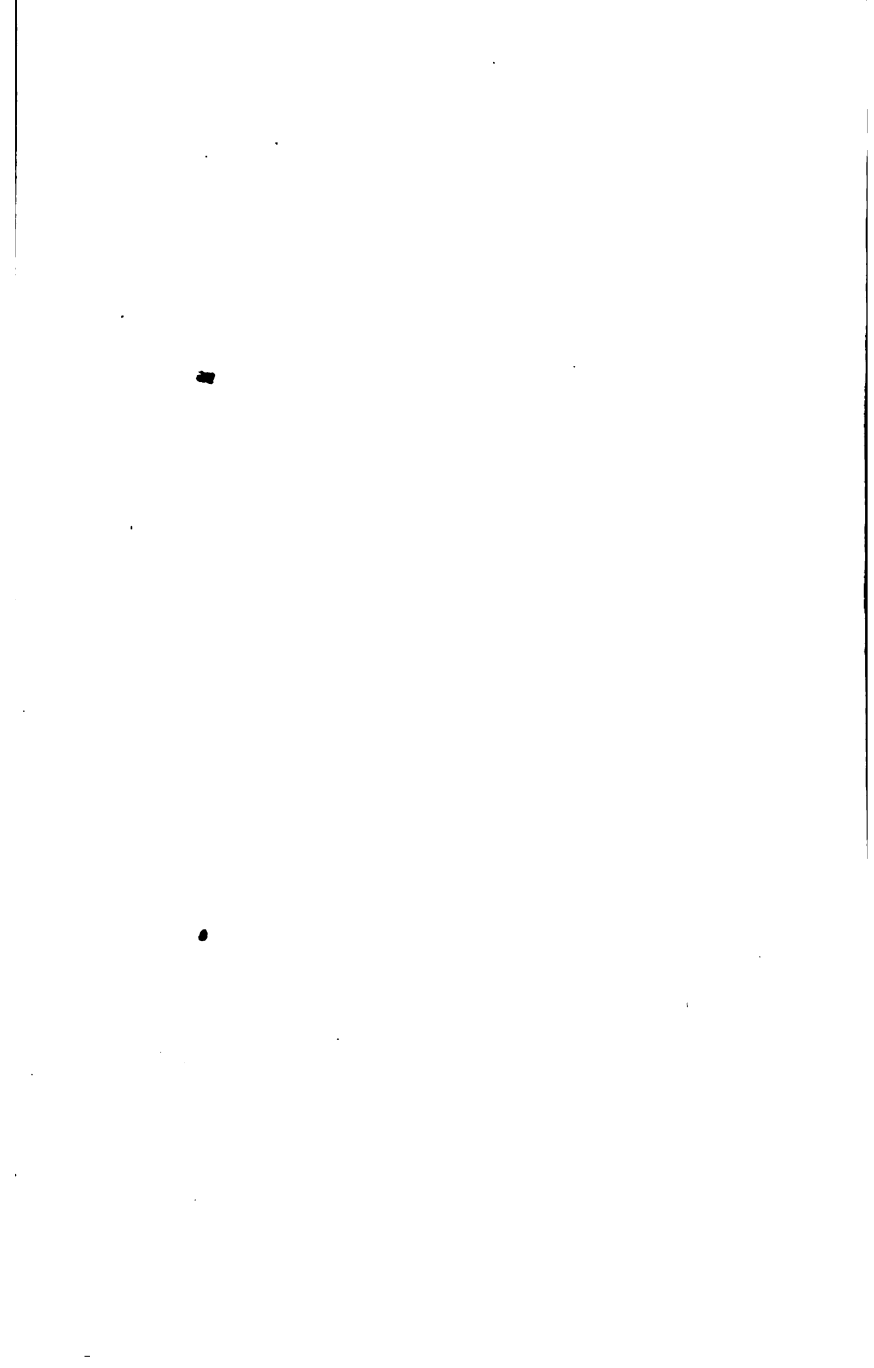


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EXPLANATORY NOTE

This Handbook conforms to the general plan of the Debaters' Handbook Series in its adaptation to the needs of the seeker for general information as well as for the debater.

In arrangement it follows the customary sequence of brief, bibliography, general, affirmative and negative reprints. For the brief the compiler is indebted to Mr. Leo Jones, of the Bureau of Debate and Discussion, University of Washington, Seattle.

Bibliography of the subject is meager, though there is an immeasurable literature, much of which is not itemized in the Handbook because it is comprehended in the publications of the Joseph Fels Fund, and those of temporary agencies for defeating tax legislation. The bibliography is made up largely of literature that will set the subject squarely before the average citizen's mind, though the economic student of the abstract theory of taxation has not been ignored.

Students are advised to make use of the Fels Fund publications, the numbers of the Public, and the Single Tax Review, and the publications of the following societies:

Equitable Taxation League of Missouri, St. Louis. William Preston Hill.

American Single Tax League, 27 Union Square, New York City. C. H. Ingersoll.

Washington Equal Taxation League, Haller Building, Seattle, Wash. C. H. Shields.

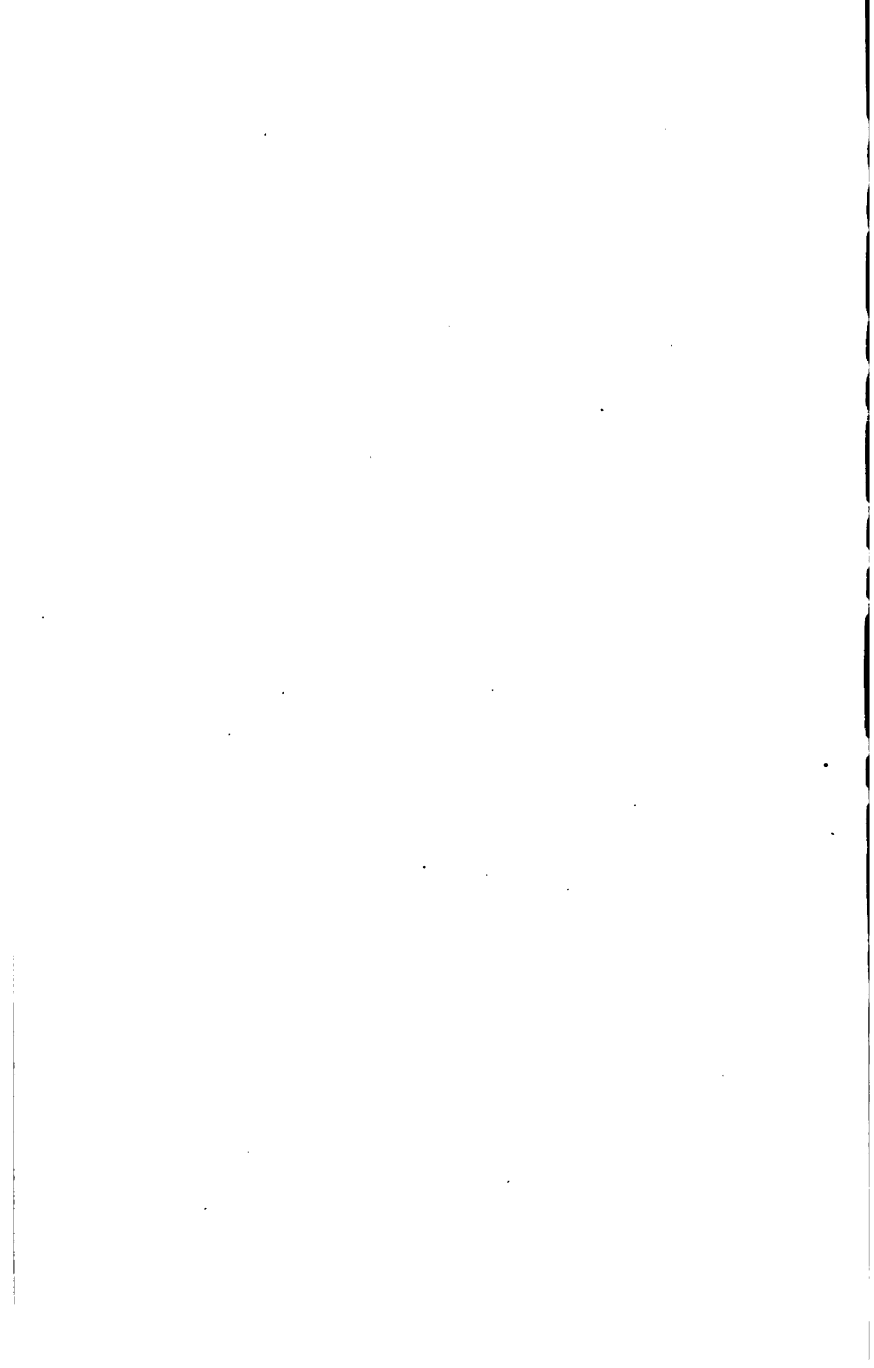
Anti Single Tax Association, 508 Massachusetts Building, Kansas City, Mo.

Land Owners' Protective Association, 1401 Waldheim Building, Kansas City, Mo. E. B. Silvers.

Home Rule in Taxation League, 516 American Bank Building, Los Angeles, Cal.

September, 1914.

E. D. B.



CONTENTS

BRIEF

General Statement	ix
The Affirmative	xiii
The Negative	xvi

BIBLIOGRAPHY

General References	xxi
Affirmative References	xxiii
Negative References	xxvi

INTRODUCTION	I
--------------------	---

GENERAL DISCUSSION

Abbott, Lyman. Rights of Man.....	Outlook	3
Blackmar, F. W. Tax Reform.....	Kansas City Star	10
Local Option in Taxation.....		
.....Commonwealth Club of California. Transactions		13
George, Henry. Single Tax.....	World Almanac	32
Huie, A. G. Single Tax in New South Wales.....	Public	35
Ingersoll, Charles H. Present Status of the Single Tax		
Movement Here and Abroad.....	Survey	38
Single Tax.....	Outlook	43
Tax Reform League of Seattle. Erickson Single Tax		
Amendment.		47
Taxation of Land Values in Canada.....	Public	50
Typical Objections to Land Value Taxation.....	Public	53
Woollen, Evans. Third View of the Single Tax.....		
.....Atlantic Monthly		55

AFFIRMATIVE DISCUSSION

Hall, Bolton. Land Question and Economic Progress.....		
.....Arena		61
Howe, Frederic C. Way Toward the Model City.....		
.....World's Work		63
Johnson, Tom L. Taxation of Land Values.....		
.....Congressional Record		73

June 1864

Garland, Hamlin. Single Tax in Actual Application..	Arena	75	✓
Garrison, F. W. Case for the Single Tax..	Atlantic Monthly	81	✓
Land Tax in Germany.....	St. Joseph News Press	93	
Nock, Albert Jay. Community That Pays Its Own Bills...			
.....	June 1864.....American Magazine	94	✓
Nock, Albert Jay. Why Nature's Way Is Best.....			
.....	American Magazine	103	
Ontario, Canada. Tax Reform and Direct Legislation			
League. How the Farmer Pays City Taxes.....		107	
Spillane, Richard. Taxing Enterprise.....	Outlook	110	
Tax System Created a Fortune.....	Kansas City Times	117	
What the Single Tax Advocates Claim for Their Theory...			
.....	Nebraska State Journal	118	
NEGATIVE DISCUSSION			
Fallon, George. Single Tax Explained.....		123	
Johnson, A. S. Case Against the Single Tax.....			
.....	Atlantic Monthly	127	
Seligman, Edwin R. A. The Single Tax. Essays in Taxation		140	
Seligman, Edwin R. A. Halving the Tax Rate on Build-			
ings.....	Survey	161	
Shields, Charles H. Single Tax Exposed.....		173	
Shortt, Adam. Single Tax in Canada.....			
.....	National Tax Association. Proceedings	178	
Taylor, Newton M. Criticism of the Single Tax.....			
.....	Equity Series	182	

BRIEF

Prepared by Leo Jones, and reprinted, by permission, from University Extension Bulletin, No. 6, University of Washington, Seattle.

Resolved, That all public revenues should be raised by a single tax on land values; constitutionality granted.

GENERAL STATEMENT

* Henry George is often spoken of as being the originator and founder of the Single Tax doctrine. Such is not the case. The plan of raising all revenues for public purposes by a tax, assessed against some single kind of property or based on some single criterion of wealth or ability is not a new one. There have been economists and tax reformers in the last two hundred years who have proposed single taxes on expenditure, houses, incomes, capital, and land.

The theory of the Single Tax on land values such as proposed by Henry George was promulgated a great many years before Mr. George presented it. Adam Smith in his "Wealth of Nations" recognized the fundamental basis of the land value tax, namely, that land values are created by society and not by the individuals owning the land. But the doctrine was first fully conceived and formulated by a French school called the Physiocrats. Henry George himself recognized this and dedicated his book, "Protection and Free Trade," "To the memory of those illustrious Frenchmen of a century ago, Quesnay, Turgot, Mirabeau, Condorcet, Dupont, and their fellows, who in the night of despotism foresaw the glories of the coming day."

The theory of the Physiocrats may be briefly set forth as follows: Land is the only source of new wealth and therefore the cultivation of the soil is the only really productive industry. Agriculture yields, in addition to the returns on labor and capital, a net product which is called rent. Since no new wealth can come from any other source all taxes must of necessity come out of rent. If placed on other things, they would be simply shifted to the owner of the land. All revenues should therefore be raised by a single tax on the rent of land.

Later, John Stuart Mill did much to develop the single tax on land theory. Mill laid great stress on the fact that there is an enormous unearned increment in the increase in land values due to the growth of population, formation of cities and other influences outside the individual. About 1870 Mill was president of a Land-Tenure Reform Association in England. The following is an extract from their program.

"IV. To claim for the benefit of the State, the Interception by Taxation of the Future Unearned Increase of the rent of land, (so far as the same can be ascertained), or a great part of that increase, which is continually taking place without any effort or outlay by the proprietors, merely through the growth of population and wealth; reserving to owners the option of relinquishing their property to the State, at the market value which it may have acquired at the time when this principle may be adopted by the Legislature." This differs from Mr. George's plan only in that it applies to future and not to all unearned increment past and future.

To Henry George belongs the credit of fully working out the Single Tax philosophy in its economic and social aspects and of stating the theory in a popular and effective form. His greatest work, "Progress and Poverty," was finished in 1879. It has been translated into several foreign languages and has aroused much interest and comment in all the civilized nations. The essence of the Single Tax doctrine is well stated in the following extract from Henry George: "All men are equally entitled to the use and enjoyment of what God has created and of what is gained by the general growth and improvement of the community of which they are a part. Therefore, no one ~~should be permitted~~ to hold natural opportunities without a fair return to all for any special privilege thus accorded to him, and that value which the growth and improvement of the community attach to land should be taken for the use of the community."

In practical application the full Henry George Single Tax has never been tried, but an approximation of it is in force in several parts of the world, and it may be said that the general tendency of tax reform in all countries is toward the higher taxation of land values. The Australasian tax system includes a modified Single Tax. It is in operation in New Zealand

and many parts of Australia. It permits any county to exempt from taxation all improvements and capital invested in productive industry. In 1892 New South Wales adopted a land tax and in 1901 Queensland exempted nearly all improvements from taxation. Vancouver, Victoria, Edmonton and other urban and rural municipalities of Western and Northwestern Canada have land value taxes, from which they raise the bulk of their revenues for local purposes. In Manitoba all improvements in or on land are exempt and taxes are levied upon "prairie values" alone.

* At the November election in 1912 the people of Oregon rejected the Single Tax at the polls. In Washington several attempts have been made to secure the adoption of a tax on land values as a part of the system of local taxation. Everett adopted such a tax two or three years ago and a few months afterward repealed the law upon the adoption of a new charter. Last election in November, 1912, it was again adopted. The Everett charter provides for an exemption of twenty-five per cent of the personal property and improvements of the city in the year 1913, fifty per cent in 1914, seventy-five per cent in 1915 and then total exemption of improvements, placing the entire tax on land rental.

There have been two distinct lines of argument which have been put forth in support of the Single Tax. Isaac Sherman and his followers favored the Single Tax because they thought that the tax would be shifted to the consumers and would thus be diffused and every person would bear some share of the taxes. Henry George and his followers advocated the tax for a reason fundamentally opposed to this, namely, that the tax would stay where it was put and could not be shifted. Economists are agreed that the latter view is correct and that whatever the other objections to the tax the contention that it can be shifted to any considerable extent is untenable.

Two classes of persons have opposed the adoption of the Single Tax—conservatives who fear the results of the appropriation by society of rent, and socialists and other radicals who regard the Single Tax as a half-hearted measure which will not remedy the fundamental defects of the social and industrial organization.

The conservatives are undoubtedly right when they say that

the full application of the Single Tax amounts to the socialization of land, the abolition of private property in land as we now have it, the government becoming the universal landlord and the selling value of land tending to approach nothing. The very theory upon which Single Tax is founded, namely, that land values are God given or socially created, is inconsistent with the institution of private property in land, the essential element of which is the private right to the income from these natural or social values. There would still remain under the full Single Tax the right of possession and of alienation, the right to use the land for productive purposes with full control and ownership of the results of labor expended on the land and improvements made, but the bare land itself would pay back to society in the form of taxes the full value which the presence of society gave to that land. There would be community but not common ownership of land.

From the standpoint of the socialistic doctrine, the socialists are correct in their contention that the socialization of land would not greatly modify what, to them, is the fundamental defect in our industrial organization—the capitalistic system of production. Free land does not mean equality of opportunity because those with capital to improve land would have a great advantage over those without capital. The poor man has no capital and would be unable to improve the land. The land therefore would be held and improved as at present by the capitalist class and the poor man would continue to compete for the opportunity to sell his labor. Some socialists are opposed to the Single Tax because they feel that it would rivet the chains of the workingman. Others believe in it as a step toward the socialization of all of the instruments of production.

It is evident from what has been said that the full Single Tax is by no means merely a tax. It is a plan of reorganization of society with a primary view of securing a more equal distribution of wealth and incidentally raising revenues for the government.

Properly speaking, the term "Single Tax" as applied to the systems of taxation advocated by present day Single Taxers is a misnomer. The system which is usually proposed is not a "single," but includes other taxes, such as franchise taxes and taxes on all monopoly profits, in addition to the land value tax;

some of the Single Taxers would retain repressive taxes, such as the liquor license; others would include the inheritance tax as a part of their program. Also, the tax is usually proposed as a local tax and not as a state or national tax, but most of the adherents of Single Tax look upon the adoption of the Single Tax for local purposes as merely a step towards its application in the larger units of government.

THE AFFIRMATIVE

All public revenue should be raised by a Single Tax on land values, because

- I. The present national, state, and local taxes are fundamentally defective, for
 - A. They are taxes on industry and improvements, and industry and improvements should not be taxed, for
 1. Taxes falling on the products of labor discourage their production.
 2. Taxes falling on improvements lessen the amount of improvements.
 - B. They are unjust taxes, for
 1. They can be easily evaded.
 2. They can to a considerable extent be shifted.
 3. They bear heavily on the poor.
 4. All taxes on the products of individual labor are unjust when society has a fund of its own from which to draw its revenues.
 - C. They are expensive, complex, and cumbersome, for
 1. They are levied on a great variety of objects and require complicated machinery, and duplication of machinery, for their assessment and collection.
- II. The Single Tax on land values will do away with the defects of the present system, for
 - A. It will exempt industry and improvements from taxation, for
 1. Land will bear the entire burden.
 - B. It is a just tax, for
 1. It cannot be evaded, for
 - a. Land cannot be concealed or carried off.
 - b. Land values can be easily determined.

2. It cannot be shifted, for
 - a. It will be paid out of rent.
 - b. Landlords cannot pay the tax from an increase in rents, for
 - (1) Rents depend on supply and demand.
 - c. Economists are agreed that the Single Tax cannot be shifted.
 3. It is a burden on no one, for
 - a. The fund upon which it draws is created by society for
 - (1) All land values and increase in land values are due to the presence of society, for
 - (a) If society were not there the land would have no value.
 - (b) Individual labor or improvements do not add to the value of the bare land.
 - b. It merely takes from the land owner the unearned increment of land due to presence of society, which increment is a social and not an individual product.
 - C. It is a simple tax, for
 1. There is one object of taxation, land values.
 2. Little machinery is necessary in order to assess and collect a tax on land values only.
 - D. It is an adequate tax, for
 1. It has a large fund from which to draw revenue in the annual rental value of land and in the increase in value of land from year to year.
 - E. It is an elastic tax, for
 1. The amount of revenue raised by the tax can be automatically raised or lowered by changing the rate, for
 - a. The fund on which it draws is much larger than is necessary for all governmental expenditure.
- III. The single tax on land values will bring about desirable economic and social re-adjustments which will be beneficial, for

- A. The condition of the laboring classes will be improved, for
 - 1. Land will be comparatively easy to get, for
 - a. Idle land will be forced into the market and prices will fall for
 - (1) It will be taxed at its full value.
 - (2) Speculators will not be able to hold it out of use and pay taxes on it.
 - 2. The slum problem will be remedied, for
 - a. Owners of cheap tenements will have to build better buildings in order to get sufficient income to pay the taxes on the land value.
 - b. Vacant land will be available at cheap prices.
 - c. The exemption of improvements will stimulate building.
 - 3. Wages will be increased, for
 - a. Employers will be obliged to pay working-men the equivalent of what they could produce on the land, for
 - (1) Land will be available to anyone who will put it into productive use.
 - b. The opening up of the vast areas now held out of use for purposes of speculation will give a great amount of employment to labor.
 - B. The farmer will be benefited, for
 - 1. The products of his labor, such as crops, his improvements, implements, stocks, etc., will be exempt from taxation.
 - 2. He will actually pay less taxes than at present, for
 - a. The vast holdings of idle land in both cities and rural districts will bear their just share of the taxes.
 - C. All forms of industry will be stimulated by the exemption of labor, capital and all improvements on land, from taxation and by making the natural resources accessible to all.
- IV. The Single Tax on land values has succeeded where it has been tried, for
- A. It has greatly benefited Vancouver, Victoria, Edmonton and other Canadian municipalities.

- B. It has worked well in New Zealand and Australia.
- C. Taxes with some Single Tax features are being used successfully by England, Germany and other European countries.

THE NEGATIVE

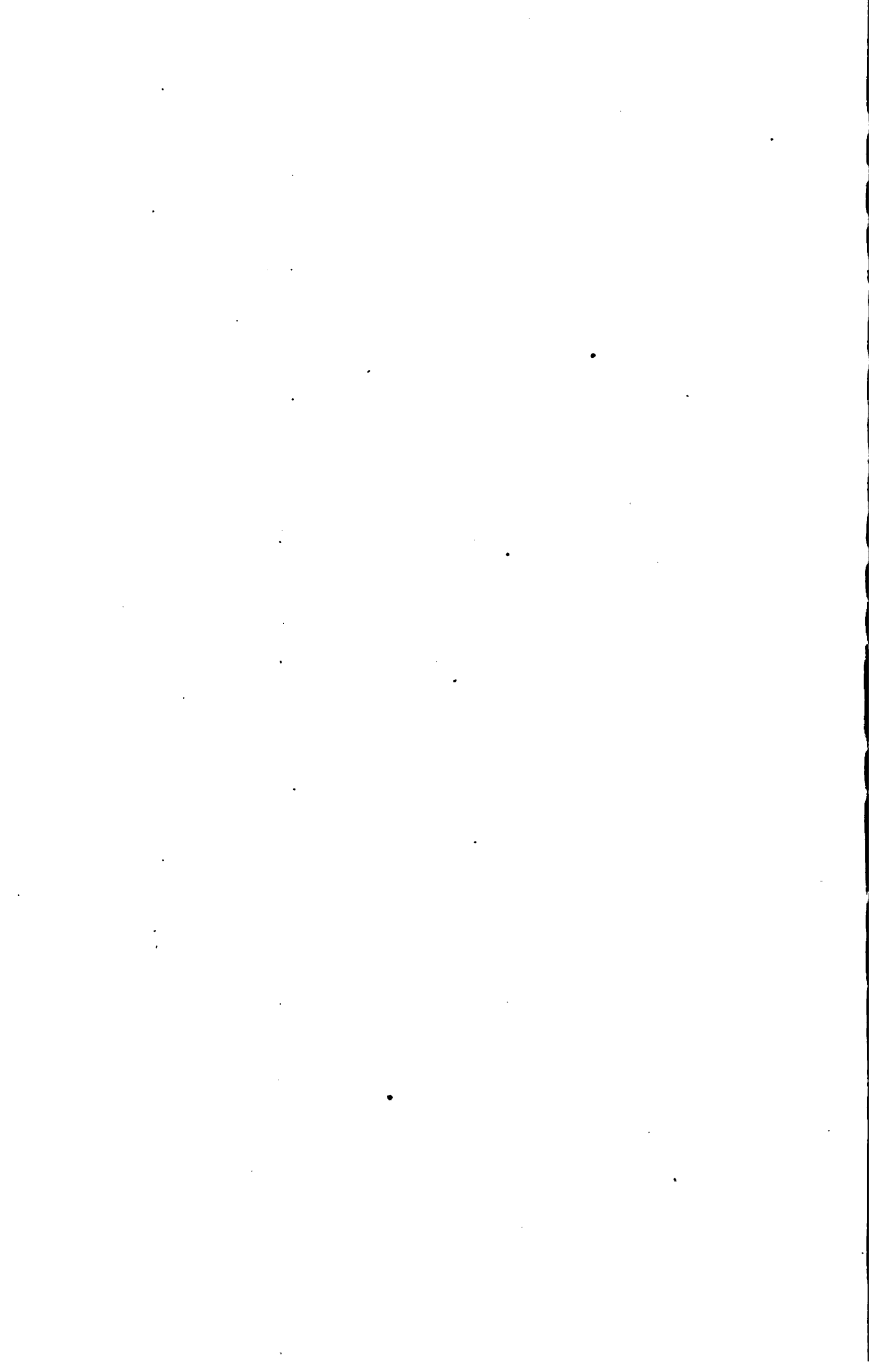
Public revenues should not be raised by a Single Tax on land values because

- A**I. The present system of taxation is not inherently defective, for
 - A. On the whole, it is in harmony with the great principle of taxation that each individual should contribute to the support of the government in proportion to his ability to pay, for
 - 1. Property taxes form the basis of our system of taxation.
 - 2. Property is one of the best evidences of ability to pay.
 - B. It is a diversified system, and diversification in a taxing system is desirable, for
 - 1. If any injustice results from one tax it is apt to be equalized or mitigated by the other taxes.
 - 2. A diversified system is a more certain source of revenue, for
 - a. If one source fails, others can be drawn upon.
 - 3. It affords greater elasticity.
 - 4. It requires some contribution from practically every citizen.
 - 5. It permits the application of taxes for social or political purposes.
 - C. The specific defects in the present system can be remedied by specific reforms without overthrowing the entire system, for
 - 1. The greatest evil of the present system of state and local taxation—evasion—can be done away with by the classification of property for purposes of taxation and by the taxation of different classes at different rates, for
 - a. If a low rate is placed on intangible and other personal property, the tax will not be evaded.

- ✓ b. The classified property tax has practically done away with evasion in the states where it has been adopted.
 - 2. Injustices in the present system can be remedied by the extension of progressive inheritance taxes in the states and the adoption of a progressive income tax by the federal government.
 - 3. The separation of state and local taxation will secure greater simplicity and effectiveness in the taxing system.
- II. Viewed solely as a system of taxation, the Single Tax in land values is defective for
- A. It is unjust, for
- 1. It fails to conform to the canon of taxation that all should pay taxes in proportion to their ability to pay, for
 - a. It taxes individuals only in proportion to the value of the land which they own.
 - b. It taxes the poor men's land and exempts the rich men's personal property, mansions, skyscrapers, and factories.
 - c. It takes no consideration of income, productiveness of property, or any of the evidences of ability to pay.
 - d. It exempts nearly all monopolies and trusts.
 - 2. It discriminates against a certain class in society—the farmers, for
 - a. It compels them to bear an undue share of the burdens of taxation.
 - 3. It discriminates against one of the elements of production, for
 - a. Labor and capital should also bear some of the burden of taxation, for
 - (1) There are socially created values in labor and capital as well as in land, for
 - (a) The products of labor owe their value to the presence of society.
 - (b) The factory and store would be worthless if society did not offer a market for their products.

- (c) The business man's profits and the income of the professional man are socially created values.
 - (d) Houses and all other improvements have the same kind of socially created value as has land.
 - 4. It is unjust to take the increment of land in taxes and not reimburse the landowner when there is a decrement in the value of his land.
 - B. It is difficult of assessment, for
 - 1. It is often impossible to determine land values exclusive of improvements, for
 - a. The value of irrigated, cultivated or fertilized land cannot be correctly estimated apart from the improvements.
 - C. It is inelastic, for
 - 1. It cannot be increased, for
 - a. The purpose of the Single Tax is to take all of the rent of land.
 - 2. The selling value and rental value of land fluctuate and will cause fluctuations in the amounts raised by the tax.
 - D. It is inadequate, for
 - 1. In many poor communities the rent of land is insufficient to meet the expenses of government.
 - E. It will lead to extravagance, for
 - 1. In many communities there are enormous land values and large funds will pour into the public treasury.
 - 2. The interest of citizens in having government economically administered will be lessened, for
 - a. A majority will pay no taxes.
 - F. Its adoption will necessitate the abolition of revenue taxes, such as the taxes on opium, liquors, tobacco, adulterated foods, etc., and of protective taxes, such as the tariff.
- III. As a scheme for social and economic reform the Single Tax on land values is undesirable, for
- A. It will result in the confiscation of private property in land, for

1. The appropriation by society of the rent and increase in value of land will abolish the selling value of land and constitute the state the universal landlord.
- B. Confiscation of private property in land is not desirable, for
 1. By a process of evolution society has evolved from a state of common or community ownership of land to a state of private ownership of land.
 2. Private ownership of land is the basis of our civilization.
- C. It will result in discouraging the policy of conservation, for
 1. A premium will be placed on exploiting natural resources.
 2. Timber lands especially will suffer, for
 - a. The timber will have to be cut to pay the taxes for
 - (1) The land yields no income until the timber is cut.



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SELECTED ARTICLES ON SINGLE TAX

INTRODUCTION

Taxation problems are, at best, rather intricate for the majority of citizens. The consideration of these problems has so long been left to the discussion of the doctors and the schools that the scholars have come to look upon the crude reasoning of the common mind as an intrusion upon their own special field. This seems to be the present attitude of economic scholarship towards the popular mind as expressed in Single Tax propaganda.

Granting that the popular thought on taxation has too often been directed to evasion of taxes, it would still be evidence of unreasonable skepticism as to the intrinsic rightness of human nature, if one could not conclude that no just basis for the distribution of the burden of taxation has yet been found, and that the scholars have failed to adapt their erudition to the problems of the "man in the street."

It is very recently, indeed, that political economists have thought it within the proprieties to devote much attention to Single Tax discussions. This explains why so much of the available printed matter on Single Tax has been written by Single Tax propagandists, and so little of the meager literature of opposition by the economists.

Meantime, the question of the adoption of the Single Tax theory as a working basis of taxation has compelled the attention of the average citizen in his capacity of voter in various parts of our own and other countries.

The present status of the taxation problem, therefore, is distinctly controversial. In considering the subject it is but right to examine carefully the literature of propaganda, for it is that literature that is in the hands of one's neighbor who is about to vote on the adoption of the single tax. It may be sadly

70 VNU

ABSTRACTS SELECTED ARTICLES

biased by the enthusiasm of the advocate or the antagonism of the objector—but it is *being read*. Therefore the compiler has thought it fair to reprint some of this literature.

From a cursory, but comprehensive view of the subject, I suggest to the student or the citizen who is confronted with the necessity of coming to a decision concerning the adoption of a Single Tax program, a careful outlining of present forms of taxation and their underlying principles. Such a study would develop certain axiomatic statements that would clarify the thinking of most of us.

It would be established:—

①. That some form of taxation is as necessary as it is unavoidable everywhere in the civilized world, except on Crusoe's island. It is not unusual to find unthinking citizens who regard taxes as an especially objectionable form of human oppression, designed by the powerful, and collected chiefly from those least able to pay.

②. That the promotion of the general welfare is, or should be, the sole object of taxation. At the vanishing point of the general welfare, and the consequent ascendancy of the private welfare of favored individuals, therefore, comes the test of the soundness of any tax.

③. That the best scheme of taxation is that which falls upon the individuals composing society according to the ability of each to pay, and to participate in the benefits of community expenditures for governmental purposes.

It is by such criteria as these that the general property tax, income tax, inheritance tax, poll tax, internal revenue and all excise taxes, tariffs, franchise taxes, occupational taxes, and the proposed Single Tax should be tested. And much wisdom is required of those who apply the tests skillfully, and with fidelity to the public welfare.

EDNA D. BULLOCK.

September, 1914.

SELECTED ARTICLES ON
SINGLE TAX

Outlook. 68:171-6. May 18, 1901. 7

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At present the expenses of governments are chiefly met by three forms of taxation: a tariff tax on imports, a tax on incomes, and a tax on property, real and personal.

The tariff on imports is an unjust tax because it is levied, not upon property nor on income, but upon expenditure. The rich man calls on government for much greater protection than the poor man. If he is a landlord, he has a hundred houses to be protected; the poor man has but one. If he is stockholder in a great railroad, he has a highway thousands of miles long to be protected, while the poor man has nothing but the pathway from his front door to his gate. The rich man ought therefore to pay a very much larger tax than the poor man. It ought to be proportioned to the value of his property, because the value of his property determines, roughly speaking, the amount of protection which he needs. He who has fifty millions of dollars invested in mines, railroads, oil-wells, ought to pay nearly ten thousand times as much taxes as the householder who has a home in the village or a farm in the country worth five thousand dollars. But if the tax is levied upon imports, he who has fifty million dollars to protect does not pay ten thousand times more taxes than he who has five thousand dollars in a homestead to be protected. The millionaire wears somewhat more expensive clothing, lives in a somewhat more expensive house, has somewhat more expensive furniture, eats somewhat more expensive food; but it is perfectly evident that he cannot, if he tries, expend on himself and his family ten thousand times as much as his humbler neighbor. Taxes, therefore, levied on expenditure are always and necessarily unjust.

The second tax is one on incomes. The income can generally be ascertained only by the statement of the man who has the income; an income tax, therefore, tempts every man to make

false statement of his income, in order to reduce his tax. A tax system which involves wholesale temptation is not a system to be commended if any better one can be found. But this is not all. Men who live upon salaries can state their income accurately; men who live upon profits derived from business cannot state their income accurately. It often happens that a business man cannot tell in any given year whether he has made any profit. He never can tell accurately how much profit he has made, for he must always make allowance for the rise in value of some things he has purchased and the fall in value of others, and this estimate of stock in hand is rarely more than a shrewd guess. An income tax, therefore, falls proportionately more heavily on the man whose income is in salaries or wages than on the man whose income is in profits. That is, it falls more heavily on the dependent, if not on the poorer, classes. But that is not all. Income, again, may be derived from industry, or it may be derived from investment. The investment is property which the government must protect, and the protection of this property requires governmental expenditure, while the protection of the individual requires but little governmental expenditure, and practically no more for the man who is earning a hundred dollars a day than for the man who is earning one dollar a day. An income tax, therefore, is, in the third place, inequable because it is not proportioned to the expenditure demanded of the government by the persons taxed. A tax on income derived from industry is a tax on industry itself, which should be the last to be taxed.

The third source of government revenue is a tax upon property, real and personal. If the value of all property, real and personal, could be justly estimated, and the tax could be levied on the property thus estimated in the proportion of its actual value, the result would be a just and reasonable tax; but in effect this is impossible. For government is dependent upon the citizen's own statement for its knowledge of the citizen's personal property. It is largely dependent on his statement for its estimate of the value of that property. The citizen is thus brought under temptation both to conceal the possession of personal property and underestimate its value, and in point of fact this temptation is so considerable that personal property largely escapes taxation. This escape of personal property from

taxation is so common, and the frauds and falsehoods into which men are led by the desire to secure the same exemption which their neighbors secure is so great, that the abolition of all tax on personal property has been very earnestly urged by both moral reformers and financial reformers in the interest both of simplicity and of justice. Yet it seems difficult, if not impossible, to defend on abstract principles a system of taxation which levies all the expenses of government on real estate, for no other reason than that real estate cannot be hidden away from the assessor's inspection. Why should the man who has put his industry into a house pay a tax, while the man who put his industry into horses, carriages, dresses, or bank stock—that is, money loaned to others—not pay a tax? The one derives benefit from the government no less than the other. Justice would seem to require that he should pay as well as the other.

The so-called Single Tax proposes to rid government of all these perplexities by assuming as true what in the previous article I have tried to show is true, that land and its contents are not proper subjects of private ownership; that the land which in the Hebrew commonwealth belonged to God, and in the feudal system belonged to the king, in a republic belongs to all the people. It proposes to make them the landlord, and it asserts that if as landlord they receive a rental which fairly represents the value of the land and its contents, no one will need to pay any taxes; that if, in other words, the people come by their own, they have income enough for all the expenses of government, and probably some to spare.

Thus properly speaking, the Single Tax is not a tax at all. It is an exemption from all taxation by means of a resumption of the commonwealth by its owners, the common people. What would be called a tax would really be a rental, and this rental would be based, not on the idea that the man who pays it pays for the protection which government affords his property; it would be based on the idea that the man who pays it pays to the owner of the land a rental for the land of which he is the tenant. This rental would be paid, or this tax would be levied, not on real estate, but on land and its contents. All that human industry had done to improve the land would belong to the owner—he would pay no tax on it; all the value inherent in the land as God has made it, or added to the land by what the

public has done for it, would belong to the public, and this value the public would receive, in rental, or taxation.

Thus, let the reader imagine two plots of ground, each one hundred acres in extent, side by side in a rural district where wild land sells for five dollars an acre. One of them is wild. No tree is felled, no plow has ever turned the virgin soil, no fence has been erected. Everything is as nature made it. The other is a cultivated farm, with house, barns, outhouses, orchard, cultivated meadow-land. The uncultivated land is worth in the market five hundred dollars; the cultivated farm would be worth five thousand dollars. But for purposes of taxation each would be estimated as worth five hundred dollars, and on that five hundred dollars the tax or rent would be estimated, and for the simple reason that the man who had built the house and the barn and the outhouses, and planted the orchard, and constructed the fences, would not pay any tax on this wealth, which is the product of his industry. Of this the people are not the owners; he is the owner. Or, again, let the reader imagine two lots side by side in the center of a great city, where a lot one hundred feet by fifty is worth a thousand dollars. One stands vacant; on the other a ten-thousand-dollar building has been erected. On each lot the same tax would be paid, or, to speak more accurately, for each lot the same rent would be collected, because the owner of the building would pay no rent for that building, which is the product of his industry; he would pay rent only for the land, which is not the product of his industry, the value of which has been created partly by the God who made it, partly by the entire community who live in its vicinity, and who, therefore, should receive the benefit of the value which their presence and activity have conferred upon it.

In a similar manner the owner of a mine—whether coal, gold, copper, or iron—would pay in rent the value of the mine as fairly estimated before ever a pick had been put into the hillside. All the product of the industry which had opened up the mine and made its treasure available would belong to him. All the value of the mine as raw material, and all the increased value of that mine due to the opening of railroads, the increase of population, the development of civilization, would belong to the State, not to the owner, because it would be the gift of God enhanced by the product of the general activity of the commu-

nity. The value thus added by the general social conditions which surround land is the "unearned increment" of which the reader so often hears in the discussion of this subject.

But, as we have seen, it is not only land and its contents that belong to the public. Forces of nature belong to the public also. The right of the public to these forces is now recognized by our patent laws, which give to the patentee a right to his special use of them only for a limited term. It is quite conceivable that these patent laws should be so modified as to enable government, and perhaps any individual, to take advantage of the patented device on paying, not whatever the patentee may choose to ask for his device, but what a disinterested tribunal may think that it is worth. Not only the forces of nature, but the great franchises created by the state, belong to the state. The exclusive right to run a car-track through the street of a great city, the exclusive right of a railroad corporation to run a railroad from New York to Buffalo, belongs primarily to the people, in the one case of the city, in the other case of the state. That it belongs to them is evident from the fact that the track cannot be laid down in the street of the city, nor the railroad built from New York to Buffalo, without special authority from the people. The work which the car company or the railroad corporation does is to be paid for. The fruit of their industry belongs to them. But the highway of which they make use in their industry belongs to the people of the city or the state, and the so-called tax paid by the railroad corporation should be so adjusted that the industry of muscle and of brain which has produced and carried on the railroad shall receive its just compensation, which should be paid to those who have constructed and are managing the railroad; and the rental of the highway, whether in the municipality or across the state, should be paid to the people to whom that highway really belongs.

This rental may be charged either in the form of a tax or in the form of a rental. Hitherto franchises, that is, the exclusive right to use a public highway, have been given to private owners, personal or corporate. Sometimes, as in the case of the Pacific Railroad, not only the highway has been given, but a bonus has been added in order to induce the private owner to take the highway as a gift. This was always folly. The folly has been now so demonstrated that to continue to give away these high-

ways is scarcely less than criminal. A single case will serve to illustrate the value to a city which takes possession of its highway and rents it instead of giving it to a corporation.

The Boston subway has been let to the corporation which operates the trolley-cars of that city for 4 7-8 per cent annually on the cost. This 4 7-8 per cent meets all interest on municipal bonds, and leaves a surplus sufficient to repay the entire principal invested in less than forty years. The corporation which has hired the subway has leased its lines to another corporation which guarantees seven per cent on its common stock and eight per cent on its preferred stock. That is, in the city of Boston, the corporation which operates the trolley-car system makes a profit such as enables it to give satisfactory dividends to its stockholders and pay the whole cost of the subway, principal and interest, in less than forty years. The city of New York, learning a lesson from this and other analogous experiments, has now in a similar manner undertaken to build its own subway. It will build this on money borrowed upon its bonds. It has already leased this subway to a corporation on such terms that at the end of the fifty years the bonds, principal and interest, will have been paid. In other words, the subway will belong to the municipality, though it will not have expended a dollar of the people's taxes in its construction. It is clear that the same principle might be applied to surface roads in town and country, long or short, operated by steam or operated by electricity. Whether this rent shall be paid for the highway by the railroad corporation in the form of a rent or in the form of a tax is immaterial. The essential fact to be noted is that, if the people keep possession of the highways which belong to them, the rentals therefrom would go far toward paying the expenses of the government.

It does not come within the province of this article to go into detailed argument with figures in support of any particular scheme. My object is to give the general reader as clear and coherent an account as I can, in a limited space, of the method which modern thinkers have wrought out, by which the common people can secure joint benefit of the common wealth, without revolution. He who desires to study the philosophy of this plan more fully will find material for his study in Henry George's "Progress and Poverty." He who desires to estimate

scientifically its economic effect will find material for his study in Thomas G. Shearman's "Natural Taxation." He will in the latter book find reasons given for the belief that a fair rental to the people as landlord for the value of wild land and its contents, and of public franchises created by and belonging to the people, would be adequate to pay all the expenses of government, municipal, state, and federal. He will also find there given the reasons for believing that such a rental, instead of increasing the burdens of the agricultural class, would decrease them; and, finally, the reasons for believing that such a rental could be collected with almost absolute equity, since there would be no possibility of concealing the land or the franchise for which the rent would be paid, and not much difficulty in estimating their natural market value. This last, the moral argument for the Single Tax, will, to him who regards ethical considerations as more important than economic, appear of the first importance. It is thus stated in a recent letter by Mr. Charles Francis Adams:

On this moral side, which to my mind is the most important side of all, there can, so far as I see, be but one way of looking at the thing. The Single Tax would be an enormous improvement over the existing system, or over any other system which I think could be devised. It would reduce taxation to a basis of absolute certainty and fairness, rendering evasion impossible. A complete stop would thus be put to the whole system of cheating, and consequent unjust transfer of a burden from those who have no conscience to those who have a conscience—from those who can escape the law to those who cannot escape the law—which is the unanswerable argument against the continuance of the present system—a system which puts a confessed, because quite undeniable, premium on perjury; and no system which puts a premium on perjury admits of justification. This argument alone, to my mind, would be conclusive in favor of the Single Tax. Any possible amount of wrong or injury it might incidentally inflict would to my mind be little more than dust in the balance compared with the advantage which would result, after the thing fairly adjusted itself, from the complete freedom it would bring about from all temptation to evasion and false swearing. From the moral point of view, consequently, there do not seem to be any two sides to the question; and the moral point of view is, in my judgment, the all-important point of view.

The question may be and has been asked, Would not the carrying out of this plan amount to a confiscation of landed values? Henry George concedes that it would, and defends such confiscation on the ground that land is not a proper subject of ownership. He compares the loss to the landowner involved in the Single Tax with the loss to the slaveholder involved in

emancipation. The cases do not seem to me parallel. Society has no right to organize a system involving ownership of man; society has a right to organize a system involving ownership in land. If the community thinks the private ownership and control of land is best for the community, it has a right to provide for such private ownership and control; but it has no right to provide for the private ownership and control of one man by another, against the protest of that other, though he be but a minority of one. Society having provided for the private ownership and control of land, and individuals having invested their earnings in that land on the faith of that provision of society, society has no right by revolutionary act to confiscate the property and destroy for the individual owner the economic values which it has itself created. If, therefore, it were proposed suddenly to abolish all taxes on imports, on incomes, on personal and real property, and levy them all on land and its contents and on franchises, the proposition would involve an industrial revolution which would be at once inexpedient and unjust. But no such sudden change is possible. If taxation is taken off from all other objects, and levied only on those things which are properly a common wealth, the change can be wrought out gradually, and there will be time for industry to adjust itself to the new conditions as they are created. There is very little reason to believe that the practical injustice to individuals which would grow out of the adoption of the Single Tax theory, in any way which would be possible in America, would be so great as the injury which has come to individuals through the use of steam and electricity, through the influence of machinery, through the organization of labor and of capital, and through the consequent necessary changes in industrial conditions and in values depending on those conditions.

Kansas City Star. April 7, 1912.

Tax Reform. F. W. Blackmar.

(The following article was prepared at the request of *The Star*.)

My notions of tax reforms are briefly as follows: First, that there is no automatic method of taxation which would be satisfactory to everybody, nor no tax system that would be a

panacea for the ills of humanity. However, it is possible to make the system more just and equitable by changing our methods and improving the social conscience.

The present system is inadequate to meet the demands of our expanded industries. It violates the fundamental principle, that the basis of taxation should be the capacity of the individual to pay. It is unjust and inequitable because it permits double taxation and the shifting of taxes upon people who are least able to bear them. The general property tax under which we are working has been practically abandoned by every other civilized nation except the United States, and our present changes are working to that end.

Income Tax the Most Just

The capacity of the individual to pay is measured by his income, in fact, all taxes must be paid out of incomes if property is to be kept intact. An income tax, therefore, is the most just of all taxes. It is said to be the most difficult tax to collect, but if made a fundamental part of the system instead of an extra extortion, it would be found no more difficult to assess and collect than any other tax. The chief objectors to the income tax in the United States are men of large incomes who fear it will be too just for them. The ideal tax system, and the one toward which we seem to be working, is about as follows:

First—Abolish the general property tax by taking the tax off improvements and personal property.

Second—Put the tax on land values. Put the tax on economic rent or the earning capacity of land which is measured by its market value without improvements. In assessment, separate town lots from agricultural land. Estimate the tax of the former on site value and the latter on fertility, as these are the two most important elements that make the market value in each case. Tax the unimproved land the same as improved. Tax the incomes of the land shown by 6 per cent on its capitalized value.

Third—Divide all other incomes into categories such as salaries, public and private; manufacturers, mines and forests, agencies, banks and trust companies, trading and merchandising, corporations, public and private; rental of commercial buildings, incomes from securities such as notes, bonds, etc. Make sub-

divisions of these so that they can be thoroughly classified. Let the reports of each individual to the assessor represent the specific income from each category.

Justice Instead of Robbery

By improving the machinery of assessment the difficulties of collection would be reduced to a minimum. If such a tax should be generalized comparatively few people would object to it, as they do the personal property tax. For example, if a man is assessed on the 6 per cent \$1,000 note at the rate of 3 per cent the state will take half of his income, \$30. If, however, an income tax of 5 per cent is put on the \$60 income he will pay \$3.00. In the former case he will feel it a process of robbery, in the latter case he will discover it is a matter of justice. If all the incomes were assessed this way there would be a sufficient revenue to meet the modern demands of government.

In addition to the tax on land values and incomes, there should be a tax on franchises. This should be made in excess of any income tax, as it is a form of rent obtained for special privileges. Make the income tax on property progressive and there would be no need for the inheritance tax; indeed, an inheritance tax is a mild form of social robbery. It is not a tax at all, for, while the property which has already met the demands of taxation imposed by the government is passing from the hands of the dead to the living, the government reaches in and seizes a part of it by exercising its piratical powers.

Poll Tax "Badge of Liberty"

Excessive wealth should be reached by a graduated progressive income tax rather than by the inheritance tax. Poll taxes might be assessed as a badge of liberty. No one ought to vote unless he has a sense of financial responsibility in the government.

Taxes should be taken off all business except wherein it may be necessary, for police purposes, such as for the control of vice, crime and social maladjustment.

In making the above statement I realize the numerous difficulties that arise before this system can be made practical and just. The income tax should be a state tax, and not a federal tax, and, in order to make it successful, all states, or a large

majority of them at least, would be obliged to adopt the same system.

Income Tax the Foundation

The main trouble with the income tax in the past has been that the tax was an independent and superfluous part of the system. As presented above it is the foundation of the whole system. As it is founded on justice, if persistently followed it could be made practical, just and equitable. It may take a long time to bring this about, but there will be no satisfactory tax reform until this is accomplished.

But an ideal of this kind does not preclude many practical things that may be done at present such as the separation of the county and state assessments; applying the revenue from franchises for the support of the state and the revenue from local taxes for local support; the assessment of property at its full value; the assessment of land separate from improvements; the exemption of household furniture up to a certain limit; the development of a social consciousness which would realize that the tax is a social investment which yields a large return; the development of a social conscience, which makes people glad to pay, and finally an improved method of assessment conducted by experienced and trained assessors, etc., etc.

Commonwealth Club of California. Transactions.

9:259-88. May, 1914.

Local Option in Taxation.

Assembly Constitutional Amendment No. 7

ARTICLE XIII, SECTION 8½. Any county, city and county, city or town, may exempt from taxation for local purposes in whole or in part, any one or more of the following classes of property: Improvements in, on, or over land; shipping; household furniture; live stock; merchandise; machinery; tools, farming implements; vehicles; other personal property except franchises. Any ordinance or resolution of any county, city and county; city or town, exempting property from taxation, as in this section provided, shall be subject to a referendum vote as by law provided for ordinances or resolutions. Taxes levied upon property not exempt from taxation shall be uniform.

Report in Favor of Amendment

MR. EGGLESTON: Assembly Constitutional Amendment No. 7, is in form and substance an enabling act, which permits any county, city and county, city or town to exempt from taxation for local purposes, in whole or in part, specified classes of property. These classes include all property now subject to local taxation except land franchises.

The reasons for the adoption of the amendment may be summarized as follows:

1. The present general property tax system results in great inequalities of taxation between individuals owning the same kind of property.

2. These inequalities are particularly acute in areas of large population.

3. The remedies should be local, and dependent on the extent of the abuses.

4. The subject is in an experimental stage in America, and it is to the public advantage that the various localities be permitted to seek for a solution in various directions.

5. As the general interests will be served by the largest possible production in the local units, it is correct policy to allow each local unit to make such exemptions from taxation as will suit its local interests.

6. The amendment is a logical extension of the home rule principle already applied with such success to California cities. It permits, but does not compel, the purely local problem of raising local revenues to be determined, as the problem of expending them is determined, by the community affected. It gives each community power that it may use or refrain from using as its interests may determine.

OBJECTIONS MADE TO THE AMENDMENT

Objection is made that under this amendment the whole burden of direct taxation may be placed upon land values. Such would be the result if a community should make all the exemptions permitted by the amendment. That will depend on the desires of the people affected. Obviously, no exemption will be made unless the people think it will benefit them; and if, on trial, they find that any exemption does not benefit them, they will withdraw the exemption.

If the amendment results in confining direct taxation for local purposes to land values, it will be because the people in the community affected regard that policy as beneficial to them. The benefits that may cause a community to limit taxation to land values are, as far as can be seen, the following:

1. Simplicity and economy. A single subject of taxation is substituted for a large number of subjects.

2. Certainty. An assessment that departs from a fair value is easily detected. Two lots of merchandise, jewels, securities or other personal property of equal value may vary 1000 per cent in assessment, and no one but the owner be the wiser; but any considerable variation in the assessment of two pieces of land of equal value will arouse immediate protest.

3. The value of land is, more than any other form of property, the creation of the community as a whole. While other forms of property acquire part of their value from the fact that population makes them useful, they are the product of labor and capital. Land alone acquires value from the mere presence of population, vacant lots in a city being quite as valuable as those on which improvements are erected. There is, therefore, a valid reason for imposing upon land values a tax that is less fair in the case of other forms of property.

It is said that this amendment for home rule in taxation is a mere subterfuge to secure the adoption of Single Tax. But home rule in taxation was adopted in western Canada before the term "Single Tax" was heard of, and in western Canada, New Zealand and Australia even the opponents of Single Tax do not object to home rule in taxation.

It is said that the burden of proof of the necessity for and justice of the measure falls upon the advocates of the amendment. We accept the burden and justify the amendment because the general property tax is admitted to be a failure, because it has been abandoned with good results by the progressive states of western Canada, New Zealand and Australia, and because the predicted injurious results of home rule in taxation have not obtained in any country where it has been tried.

While there is discussion in those countries as to the methods of taxation adopted under home rule, there is no discussion as to the principle of home rule. It is not necessary for us to disprove theoretically the objections raised by the opponents, because those

objections have been disproved by the practical operation of home rule in taxation in Canada, New Zealand and Australia.

The objection that, with home rule in taxation, rivalry between communities will inevitably bring us all to Single Tax, is merely an assertion that if any community shall exempt all property except land values, it will be so benefited by the change that other communities will adopt the same system in order to get the same benefits. But the experience of municipalities in western Canada, New Zealand and Australia shows that the objection is invalid.

Our opponents shift their ground when they say that "no advantage to a community can be derived from a policy of exemptions *per se*." If that be true, the adoption of exemptions by one community will not cause other communities to adopt those exemptions. Our opponents contradict themselves when they assert that the amendment will permit a policy that will confiscate the property of large land owners, and at the same time enrich those large land owners; that it will put an additional and unjust burden upon them, and at the same time greatly benefit them by giving them tax exemptions of thousands of dollars a year; that it will enrich them by favoritism and crush them with grossly unjust burden.

The objection that non-residents will be injured if residents of a community are permitted to adopt certain exemptions, is fully answered by the fact that Americans and Europeans are investing capital in western Canadian communities that exempt as well as in those that tax improvements.

The objection that farmers may be injured by the operation of the amendment is fully answered by the experience of rural municipalities in western Canada. If California farmers do not wish to take any action under the amendment, they will be free to keep the present system of taxation. If they adopt a system of exemptions, and find that it is not beneficial, they will be free to abandon it.

EXPERIENCE OF THE IRRIGATION DISTRICTS

As to the effect of total exemption of personal property and improvements in farming communities, we need not go so far from home as New Zealand, Australia, or even Canada. The California irrigation law permits irrigation districts formed prior to 1909 to exempt improvements from tax for irrigation purposes,

and does not permit taxation of personal property for irrigation purposes. Thus irrigation districts formed prior to 1909 have home rule in taxation.

Using that power, the districts of Modesto, Oakdale and South San Joaquin have exempted improvements from tax.

While the California irrigation law gives the home rule tax power, as stated above, that law is less elastic and narrower than the home rule tax amendment. The law gives irrigation districts no option of taxing personal property either "in whole or in part," nor does it give the option of partial exemption of improvements, as does the home rule tax amendment.

California has separation of state and local taxation, and that system will be improved. No county, city or town has any pecuniary or other interest in the public revenues raised locally by any other community, and has no interest in the method of raising such revenues. Therefore, no one outside of the county, city or town has any right to say how such a taxing unit shall raise its local revenue.

The home rule tax amendment is necessary for the rounding out of our system of local self-government. As has been proved where home rule in taxation exists, it is beneficial and satisfactory; while our general property tax system is admittedly injurious and unsatisfactory.

EFFECTS IN OTHER LANDS

As has been proved, also, in those countries where home rule in taxation is in effect, capital for investment continues to flow in, instead of flowing out. From political and industrial standpoints, then, home rule in taxation has been fully justified as beneficial to communities as well as to individuals. It is justified in theory as well as in practice by the provincial and municipal officers of western Canada.

The Minnesota Tax Commission made a personal investigation of the various tax systems of the four western provinces of Canada, under home rule in taxation, in 1912, and reported that "local option in taxation" is working well and satisfactorily.

Personal investigation by a member of this committee of tax systems and tax methods in western Canada confirms the statements of the Minnesota Commission as to the satisfactory working of home rule in taxation in western Canada. For example,

of the 61 urban and rural municipalities of British Columbia, 32 have taken no action under the home rule tax law, 26 have adopted the policy of total exemptions, and 3 have adopted partial exemptions.

Except for the fact that personal property is not taxed in western Canada, and that municipalities are not permitted to assess improvements more than 50 per cent of their value in British Columbia, or more than 60 per cent in other provinces, for taxation, the California home rule amendment is almost identical with the local option tax laws of those provinces.

Home rule in taxation has been in effect in New Zealand for about twenty years, and in Australia for about fifteen years. There is no taxation of personal property, but counties, cities and towns, and boroughs, school districts, road districts and improvement districts may exempt improvements by vote of land owners. Improvements are taxed on a 50 per cent valuation unless entirely exempt. The latest available report from New Zealand, 1910, shows that some 160 taxing districts have voted on the question of total exemption, and that exemption has been adopted in about 125 districts—by vote of land owners only. The meager reports from Australia show that exemption has been adopted in about two-thirds of the communities in which votes have been taken. South Australia adopted a local option or home rule tax law in December, 1913, and two elections were held under the law the same month. Total exemption carried in one, and failed in the other.

NO UNIFORMITY IN THE PRESENT SYSTEM

The objection made against permitting any variation from uniformity of assessment in different communities lacks force.

While our present system is called "uniform," it is not uniform. In various counties and municipalities, personal property is assessed all the way from 20 to 75 per cent of its value, and improvements from 40 to 75 per cent.

Assessments made in cities and towns by county and municipal assessors show astonishing variations. For example, in Sacramento City in 1912, the city assessor's valuation of real estate exceeded that of the county assessor by \$6,909,130, and his valuation of improvements exceeded that of the county assessor by \$2,031,840; while the county assessor found \$134,330 more of

personal property than the city assessor. Each assessor operates under a personal home rule tax law enacted and enforced by himself. Counties and municipalities should have legal power to do what assessors now do illegally and openly, by public consent.

Under the home rule amendment, as under the present law, the taxpayer who owns property in a dozen counties or cities must have a separate tax bill from each taxing unit. No greater confusion could be created by exempting in one county or city the kinds of property taxed in another. The money is raised from local property, and is spent for the benefit of the local community. Every element of public interest is satisfied if in one community each owner of the same kind of property pays an equal tax for an equal value, or if all owners of certain kinds of property are exempt in whole or in part under the law.

For these reasons we believe the amendment should be adopted.

Appendices to Report of W. G. Eggleston

WESTERN CANADIAN MUNICIPALITIES. DATES OF ADOPTION OF COMPLETE OR PARTIAL EXEMPTION OF IMPROVEMENTS

Municipality.	Partial Exemption.	Complete Exemption.
Edmonton.....	.....	1903 when incorporated
Salmon Arm.....	50% until 1909	1909
Chilliwack Township.....	.....	1890 when incorporated
Matsqui.....	.....	1893 when incorporated
Peachland.....	.....	1899 when incorporated
New Westminster....	50% until 1911	1911
Burnaby.....	.....	1896 when incorporated
Point Grey.....	.....	1908 when incorporated
City of Chilliwack....	1 mill for fire protection 19??	since incorporation
Victoria.....	50% until 1911	1911 by popular vote
Surrey.....	.....	1879 when incorporated
Merritt.....	.....	1902 when incorporated
Coquitlam.....	.....	1909 when incorporated
Sumas.....	2 mills for schools since incorporation	1883
Kelowna.....	.....	1909 when incorporated
Penticton.....	.....	Since incorporation, about 1908
Nanaimo.....	.....	1878
Oak Bay.....	.....	1888 when incorporated
Vancouver.....	1905—75%	1910
Medicine Hat.....	40% until 1909	1909
Winnipeg.....	40%	
Regina.....	67%	
Saskatoon.....	75%	
Moose Jaw.....	75%	
Calgary.....	70%	
Kamloops.....	70%	
Summerland.....	.....	Since incorporation

SELECTED ARTICLES

Municipality.	Partial Exemption.	Complete Exemption.
Kent.....	Since incorporation	
Langley.....	Since incorporation, 1880	about
Mission (rural).....	Since incorporation	
North Vancouver.....	Since incorporation, 1940	about
Prince Rupert.....	Since incorporation, 1907	about
Saanich	50% until 1912	1912
South Vancouver.....	Since incorporation	
Spallumcheen.....	Since incorporation	

Also, in 1912 about 200 small municipalities and improvement districts in Saskatchewan and Alberta had adopted total exemption in the preceding seven or eight years. Not one has ever abandoned total exemption after having adopted it.

COMPARISONS IN PER CAPITA BUILDING EXPENDITURES

Opponents of the home rule tax amendment are preaching funeral sermons over the cities of Western Canada, especially Vancouver, because their building permit figures for 1913 fell below those of 1912. Totals of building permits are often misleading. The proper basis of comparison is the per capita of building expenditures.

We have no official census figures of California cities since 1910. Therefore to give all the advantage of doubt to the opponents of the home rule tax amendment, the following per capita figures of building operations in Canadian cities are based on the population and building of 1913, while those for the California cities are based on 1910 population and 1913 building operations. Obviously, that will make a better showing for the California cities.

California Cities. Population 1910.			Western Canadian cities. Population 1913.		
	Building, 1913.	Per capita.		Building, 1913.	Per capita.
Bakersfield.....	\$ 760,744	\$65	New Westm'ster..	\$ 958,975	\$ 79
Berkeley.....	2,236,700	55	Victoria.....	4,037,992	73
Fresno.....	1,776,666	71	Vancouver.....	10,423,197	91
Pasadena.....	2,787,507	92	Edmonton.....	9,242,450	130
Sacramento.....	3,416,057	76	Medicine Hat....	3,857,572	241
Oakland.....	9,106,191	66			
San Francisco, total.....			\$32,797,259	\$78 per capita	
San Francisco, private.....			21,037,264	55 per capita	

Edmonton's total as above is all "private construction."

Vancouver is especially mentioned as "dead." That city abolished taxes on improvements in January, 1910.

Vancouver building in 1910-11-12-13.....	\$60,376,000
Oakland, Fresno, Sacramento, Pasadena and Stockton, same years.....	55,286,878

Population of those California cities, 1910, was 273,000
Population of Vancouver, 1913..... 114,000

This population of Vancouver does not include population of what is called "Greater Vancouver," which is not a municipality.

THE VICE-PRESIDENT: Mr. H. E. Monroe will now give you the reasons why local option in the matter is not advisable.

Report Against the Amendment

MR. MONROE: Constitutional Amendment No. 7, is the so-called "Home Rule in Taxation" bill. Briefly, this is merely an enabling act, giving to cities, cities and counties, and counties the power, through their governing bodies, to exempt from taxation, for local purposes, certain classes of property. The exemptions must be made either in whole or in part according to certain classifications and all property may be exempted except land and franchises.

The power to make this exemption, as stated, is vested in the various governing bodies, subject only to the right to a referendum vote. That is, a temporary majority in a board of supervisors, or city council, which might easily be the result of mere chance, the matter of exemptions not being an issue at the election of members, and consequently the personal views of candidates not being known or inquired into, might fasten a system of exemptions upon a community and drive those upon whom the additional burdens of taxation would be cast, to fight the ordinances by a referendum. It would seem, if such a system is advisable at all, that such a momentous change should not be possible without first obtaining an affirmative vote of the electorate affected. The burden of proof should be cast upon those who propose the exemptions and not upon those who must pay the additional burdens.

A SINGLE TAX PROPOSAL

This proposed amendment receives its chief support from the Single Taxers, or Henry Georgeites, because they believe, and justly as we shall show later, that its adoption would bring a little nearer the day of their fondly imagined Elysium, when all taxes shall be levied on land values and the entire economical rent be absorbed by the state. To oppose a measure because of its friends may not be scientific but it is human. At least it should arouse our suspicions and command our closest scrutiny, and I would say to you, if the spectre of Socialism ever troubles your waking hours, or haunts your dreams, do not summon this genie believing that it will be your humble servant and aid you

in the collection of your revenues, but which to your sorrow you will not thereafter be able to exercise. Beware of the Greeks bearing gifts. The breach in the wall is not easily repaired. Socialism we know is but a relative term, but the socialism which takes from those who *have* merely because they *have*, spells the failure of our civilization and ends a cycle of the world's history.

But this amendment, although frankly thus supported, is now defended on other grounds. Let us consider briefly some of the arguments advanced:

First, which to us seems a dodging of the issue, it is contended that we have only to consider now whether counties and cities are to be allowed to govern themselves, not what they might do with the power if granted to them; and many supporters will be found because the fight is being made not for the "Single Tax" but for "home rule in taxation."

PRINCIPLES OF LOCAL REGULATION

It seems obvious enough that we have not solved our problem merely by stating that each locality should be allowed to regulate its own affairs. We must first determine whether this is a proper subject for local regulation, for evidently all matters of government are not of this character. The tests which determine whether a matter may properly be left to local regulation, or should be governed by general laws, would seem to be these:

1. A matter should not be left to local regulation which affects, or may affect, any considerable number of people outside of the locality.
2. Only those matters should be left to local regulation which can be so regulated by one community without a compelling force upon the action of other communities similarly situated.

Over and above all this, every citizen in the state owes a duty to every other citizen in that state, and cannot absolve his own conscience in voting for a measure which may be turned into an instrument of oppression against an unfortunate minority in some communities, merely because his own particular community may not be affected. In other words, if this proposed amendment could be used as an instrument of injustice in any community, as citizens of the state, we owe a duty to the minority of that community to protect them from an irresponsible majority. It is an easy philosophy of the day that the people should

rule, but he who fails to recognize that a popular majority may be the worst of tyrants reads neither history nor human nature aright.

Applying these principles, it seems to us that this amendment can not be defended merely on the ground that it is a question of local regulation. The question of taxation does affect large numbers of people outside of the borders of any city or county and no locality can adopt locally a system of exemptions without exercising a compelling force upon other communities. San Francisco, for instance, has from fifty to a hundred thousand people who have their legal residence in another county, yet daily do business within our borders, own property here, and many pay taxes here. They are vitally affected by our fiscal regulations but would have no voice in determining them.

EFFECT OF EXEMPTIONS

The compelling force which would be exerted on other communities is most apparent. An exemption of personal property in San Francisco would tend to attract people here from trans-bay communities and so willy nilly, they would be compelled to follow suit. Oakland would want to exempt factories and San Francisco and Richmond would in self protection be obliged to grant a similar exemption. Fresno, perhaps, would exempt farm implements and Merced, Stanislaus and San Joaquin would have to follow her lead; and so it would go until all of our exemptions were exhausted and we would be down to a Single Tax basis. Nor would this argue anything in favor of the measure. A system of exemptions by a single community might prove profitable to that community as a whole, but any such temporary advantage would soon be nullified by the actions of other communities and the net result of the competitive bidding would simply be that all of our exemptions would be exhausted and we would be on a Single Tax basis.

In passing, we may note, that another force would drag us toward the Single Tax goal. Guns are made to shoot with and the right to exempt is given to be used. Adopt this amendment and at once a movement will be started to exempt certain classes of property. One exemption obtained is used as the argument for the next. Exemptions are popular with those exempted and as the numbers of the tax payers constantly decrease by successive exemptions their power of resistance would correspondingly di-

minish, and before no great time we would find ourselves squarely upon a Single Tax basis. These two forces would operate in this manner, under local regulation, whereas an entire state, owing to the greater uniformity of its electorate, could not be induced to adopt this system.

ADDING TO THE BURDEN OF THE HONEST

As a revenue measure the adoption of this amendment is urged because of the inequalities of the present system, which to us seems an astonishing bit of reasoning. Let us premise, preliminarily, that exemptions are bought at the cost of extra burdens on others. This argument, then amounts to this; personal property quite largely escapes taxation, which places an extra burden on the honest owner of personal property, or on the owner of personal property which cannot escape the assessor. Now in order to do justice to this class of honest or unfortunate owners of personal property, it is proposed to do what? Not to seriously tackle the problem of making the dishonest pay, but to exempt him altogether—to exempt the honest and the unfortunate and to place all of this additional burden on the owner of real estate, whose burdens, as well as those of the honest owner of personal property, have already been augmented by the dereliction of the rascals who won't pay. Isn't this a rather crude specimen of justice? It reminds one of Mark Twain's willingness to sacrifice all of his wife's relatives on the altar of his country.

Our opponents attempt to answer this by advancing as one of their arguments in favor of the Single Tax what they are pleased to say is "the certainty with which a tax on land is diffused so that the burden is distributed fairly throughout the community," but, this is exactly what does not happen. Taxes on land stay where they are put. Taxes on improvements, at least of urban property, are largely shifted but those on land values are not. It is impossible to follow here the argument to show this. We can only refer you to any standard writer on the subject for these arguments. Professor Seligman in his work "The Shifting and Incidence of Taxation" as to the tax on agricultural land at page 275 says:

"We may, therefore, sum up the discussion by stating that under actual conditions the tax on agricultural land is but rarely shifted to the consumer, and that, where tenant farmers are

found, the tax is borne by either the owner or the tenant, according to the changing conditions of agricultural prosperity. Even, however, where the tax tends to be borne by the owner, the effect of the tax may be injurious to the tenant."

As to urban real-estate at page 286 he says:

"With these three minor exceptions then it may be stated that a tax on the site, whether it be levied on rental value or on capital value is borne by the owner of the land."

If these conclusions are correct, it follows then that a Single Tax on land values would transfer the entire burden of government upon the shoulders of one class, the land owners. Is not the mere statement of any such monstrous injustice sufficient to make us recoil from a measure which would make such a result possible—which would unquestionably tend toward it, and which is confessedly proposed with that end in view?

It is not our purpose, however, to discuss the Single Tax from the Henry George standpoint. We have no fear of this as a direct issue. We are concerned with it, only so far as this proposed amendment, if adopted, unwittingly tends toward it. This amendment can never carry as a Single Tax measure; if carried, it must be by the votes of those who mistake it as a revenue measure; it must be by the votes of those who favor Single Tax, not as an appropriation of economic rent but as a desirable method of raising our revenue, or by those who believe that the exemptions of certain classes of property, or the levying of our taxes upon land values alone will in some mysterious way add to our prosperity. Let us analyze these claims.

EFFECTS OF THE SINGLE TAX IN CANADA

In the first place we are assured that this plan has worked wonders in the Northwest. Vancouver is cited as an illustration of what this beneficent system will do. All of the prosperity of this wonderful city was due to the Single Tax, but let us see how the account stands. From \$13,150,365 in 1910, the building permits bounded up to \$17,652,642 in 1911, and \$19,388,322 in 1912. This was attributed to the magic of Single Tax. Vancouver still has its Single Tax, yet in 1913, the building permits fell to \$10,424,447, nearly one-half. The permits for December 1912 were \$1,530,365 and for December 1913, \$175,245. The aggregate for the year was nearly cut in two, while the aggregate for the

last month of the year was one-eighth of what it was for the same period of the preceding year. On the other hand in Winnipeg, where this system is not in force, the building permits for eleven months of the year 1913 amounted to \$18,000,000 as against \$15,106,450 for the entire year 1910. For these figures we are indebted to Mr. F. C. Wade, K. C. We have not the figures at hand for other cities in the northwest but we understand that they would show similar results. We would not for a moment attribute all this vast shrinkage of the evidences of prosperity in Vancouver to its fiscal system—but we believe that we have heard the last for some time of the wonderful success of the Single Tax in Vancouver. So much for laboratory tests. Let us now do a little figuring on our own account.

In the first place, we want to observe that a Single Tax on land values, benefits the rich man at the expense of the poorer. Mr. Wade again has given us the figures for Vancouver. He gives us the exemptions on different classes of buildings erected from January to October 1913, and shows that out of the total exemptions for that period of \$9,988,440 the poor man's total exemption would be \$529,753. That is, that about seventeen-eighteenths of the exemption was in favor of the wealthier class, and one-eighteenth in favor of those not so well provided for. We will give you some startling figures for our city later.

EFFECTS OF SHIFTING THE BURDEN

Our second proposition is that the Single Tax would throw an additional burden upon the agricultural community. The percentage of value of land to that of improvements outside of cities and towns is greater than that within cities and towns, consequently the country must carry a larger burden if the land alone is taxed.

While we do not any longer collect state taxes directly, and thus this is no longer a state problem, the old problem still exists in all of the interior counties, especially in those which contain any considerable towns or cities. We append hereto some figures we have collected from a few counties. These show that in Fresno county the farmers now pay $69\frac{6}{10}$ per cent of the tax; under the Single Tax would pay $77\frac{8}{10}$ per cent. In Stanislaus county they now pay 81 per cent; would pay 89 per cent. Even in Madera county, where there are no considerable towns, the

farmers now pay 91 per cent of the county tax and would under the Single Tax pay 95 per cent.

In San Joaquin county the farmers now pay 59 6/10 per cent of the county tax and would under this beneficent system have to pay 71 7/10 per cent. All of these figures include personal property taxes.

These figures, staggering as they are, give only averages. The individual increases of burdens cannot be arrived at. It is safe to postulate, however, that the poorer the farm the larger the percentage of land value to improvements and personal property, so the poorer the farm the larger the percentage of increased burden by this system.

CLASS PREJUDICE AND DISCONTENT

Our third proposition is that the Single Tax would create class prejudices and foster discontent.

The burden of taxes, as we have shown, would fall upon one class, but the amount of the tax would depend upon the votes of those who bore no part of the burden and who would clearly outnumber the tax payers, a condition which would soon engender the bitterest of class feeling. The farmers, as a rule, today, feel that they receive no adequate return for the money which they pay for the support of government. The man of property believes that the laboring classes are uniting with the "reformers" to despoil him, while the laboring man believes that he is being deprived of what rightfully belongs to him. Social problems are crowding upon us thick and fast, and any augmentation of this class feeling makes the problem of government just so much more difficult.

The fourth proposition is that the Single Tax would favor the rich man at the expense of the poorer. We have already seen from the figures which we have cited from Vancouver how the exemption of improvements works to the interests of the rich. The same would be true as to the large manufacturer. A certain amount of ground space of course is requisite for every manufacturing plant. The large capitalists, with their great resources could build many storied factory buildings and would pay no more taxes than their poorer rivals, who were compelled to content themselves with modest one or two story buildings. Thus this aid which we wish to give to manufacturing enter-

prises, would only tend to drive the small man out of business and to hasten the division of society into two classes, the rich employers and the poor employees.

FURTHERING CONGESTION IN CITIES

Finally, the Single Tax would aggravate the congestion of our cities. This would happen in two ways; because a city could not extend its boundaries and because the tendency would be toward the maximum amount of improvements in the area actually improved.

A city could not extend its boundaries because the outlying sections, being long in land and short in improvements, would never agree to become part and to pay the burdens of a city, which was long in improvements and short on land.

That the tendency would be toward the maximum improvement and consequent congestion would seem almost self evident. Such has been the admitted tendency in Vancouver and a little reflection will show us that it must be true everywhere. The higher priced the land, and consequently, the higher the taxes, the greater the incentive for improvement. And the higher the building, the smaller the tax will be on the investment. Now it is a strange sociological fact that higher rent per floor space is obtainable, even in tenement houses occupied by the poorest classes, at the crowded centers, than can be realized in the outskirts of the city. Conditions being equal today so far as taxes are considered, the outlying regions can not compete with down town property. A ten story apartment house in the Sunset district, with the ground donated, would be a hopeless enterprise, while the same building on lower Sutter street, upon an expensive lot, would net its owner a handsome income. With Single Tax, the same conditions of equality would exist, and capital would go into buildings where the demand existed.

On the other hand there would be no cheapening of rents. Upon our assumption that all personal property would be exempt from taxation, as well as improvements, there would be no object in putting capital into buildings to escape taxation. It would only be so invested, when it could realize a higher profit there than elsewhere and that would be determined by the demand as at the present time. If there were any tendency otherwise this would tend to increase the cost of land at the centers where as

we have seen the demand is, and this in its turn would tend to check further building and thus equilibrium would be established.

NO CHECK ON SPECULATION IN LAND

But it is urged owners would build in order to realize an income from their property rather than pay the increased tax. This would not be true for very simple reasons.

It is obvious that all the vacant land in the city could not be improved at once. No matter what our system of taxation, our sand-dunes and hills must await demand and capital before they will be improved. An additional reason why this would not happen is that the additional tax is at once capitalized, the loss at once falls on the holder and thereafter the land can be held for speculative purposes upon the same terms of expectancy of profit as before. Let us illustrate: Take a thousand dollars as the unit. According to our system this would be taxed at say \$600 and the taxes at present rate, \$2.20 would be \$13.20. If the entire tax were raised from the land the rate to raise our present revenue would have to be \$3.81. The taxes on the lot then would be \$22.86 or \$9.66 more than at present. Now to yield this amount a year would require \$161 and that much would at once be shaved off the value of the lot. It would suffer a further loss, however, because as it increased in value the taxes would increase, so your purchaser would make a further reduction in the price, say \$250 all told. Now the tax having been capitalized at \$750 with the additional tax, the lot is as good a speculation as it was at the old rate at \$1000. And of course it would be immaterial whether the lot were sold or the old owner continued his speculation on the new basis. This capitalization of the tax is another force which would operate to prevent cheaper rents. Most buildings are erected in whole or in part on borrowed capital and the banks will not lend more than the value of the lot. The thousand dollar unit which we have assumed allows for a thousand dollars worth of building but when this unit is cut to \$750 our building suffers a similar cut, so that a 25 per cent smaller building is erected, thus to that extent cutting down the supply.

LOCAL EFFECTS OF EXEMPTION

As a practical illustration of how these laws would work out, we have collected some figures from our own tax roll [Table

Table I, Showing How Single Tax Would Affect San Francisco Property. Compiled from 1913 Tax Roll, as Appendix to Report of H. E. Monroe.

Description of property.	Value of real estate.	Value of improvements.	Present tax.	Tax under Single Tax.	Gained or lost by Single Tax.
Crocker Building.....	\$506,630	\$610,000	\$24,566.00	\$19,302.00	*\$5,264.00
Chronicle Building....	495,000	300,000	17,490.00	18,859.00	†1,369.00
Examiner Building....	413,230	390,000	17,671.00	15,743.00	*1,928.00
Mills Building.....	372,550	850,000	26,896.00	14,194.00	*12,702.00
Balance Montgomery St., frontage same block.					
A. B. McCreery....	92,500	17,000	2,409.00	3,519.25	†1,110.25
M. A. DeLaveaga..	38,270	8,000	1,017.94	1,458.09	†440.15
Virginia Vanderbilt	66,940	0	1,472.68	2,550.41	†1,077.73
Keystone Apartments.	19,060	135,000	3,389.32	726.19	*2,663.13
Adjoining properties.					
Joseph Magnin....	4,800	0	105.60	182.88	†77.28
John H. C. Prien..	4,000	6,500	231.00	152.40	*78.60
Lafayette Apartments. (N. C. Goodwin, Jr.)	10,780	24,000	765.16	410.72	*354.44
Adjacent and contiguous properties.					
T. A. Williams....	25,500	9,000	759.00	971.55	†212.55
Thos. C. Van Ness.	4,500	2,800	160.60	171.45	†10.85
J. G. Woods.....	22,880	6,400	644.16	871.73	†227.57
Ellz. M. Hudson....	5,390	1,700	155.98	205.36	†49.38
Block bounded by Jackson, Scott, Pierce and Pacific.....	210,600	101,300	6,861.00	8,024.00	†1,163.00
Block bounded by Mission, Valencia, 21st and 22d.....	286,290	145,380	9,497.00	10,908.00	†1,411.00
Block bounded by California, Clement, 7th and 8th.....	93,630	83,950	3,907.00	3,567.00	†340.00
Block bounded by Lincoln Way, Irving, 18th and 19th Aves..	52,970	20,390	1,614.00	2,018.00	†404.00

* Denotes gain. † Denotes loss.

The local tax in San Francisco, 1913, was \$2.20 on the \$100 assessed value. To raise the same revenue by a Single Tax on land values would require a tax rate of \$3.81. Any property owner may therefore reckon his gain or loss under such a system by comparing his last tax bill with the bill as it would be if personal property and improvements had been exempted and a rate of \$3.81 imposed on the assessed value of his land.

I, above.] We see how beautifully the rich man is taken care of when we find that under a Single Tax the owner of the Examiner building would save \$2527 a year; of the Crocker building \$5250. Mr. Ogden Mills would profit on the Mills building to extent of \$12,702. Capitalized at 6 per cent a nice little present of over \$200,000 would be made to him by "this poor man's law."

County.	Value of city real estate.	Value of city improvements.	Value other city property.	Value of country real estate.	Value of country improvements.
Stanislaus...	\$2,014,945	\$1,985,340	\$1,046,770	\$16,356,760	\$3,172,935
Madera.....	472,810	352,785	221,150	9,612,535	630,290
Fresno.....	12,871,950	7,577,540	3,272,989	45,201,890	8,120,865
San Joaquin.	9,565,520	8,713,415	4,388,209	26,733,450	4,207,758
County's					
	Value of all other county property.	Total value city property.	Total value country property.	Total of country assessments.	County's percentage of tax now.
Stanislaus....	\$2,680,760	\$ 5,047,045	\$22,210,455	\$27,357,500	81 %
Madera.....	1,156,890	1,046,745	11,399,715	12,446,460	91.7 %
Fresno.....	1,026,858	23,722,479	54,349,613	78,072,092	69.6 %
San Joaquin..	2,607,330	22,667,150	33,548,535	56,215,685	59.7 %
					Single tax.
					89 %
					95.3 %
					77.8 %
					73.6 %

Out in the residence district we find that Nat Goodwin with his Lafayette apartments would have \$354.44 additional, while his neighbors in their modest homes would pay respectively \$10.85, \$49.38, \$212.55 and \$227.50 more per year.

Of all figures collected the most instructive are those of the Keystone apartments on Hyde and Washington streets. This property now pays \$3389.32; it would pay \$726.19, a nice little saving of \$2,663.13.

And I would ask you single taxers is that the type of buildings to which you wish to condemn us—that and the crowded tenement house? Why have you made a fetish of brick and stones? Must the vacant spots all be covered with them? Does the humble home no longer appeal to you? Must you penalize the man who would beautify our city by planting his shrubs and trees and flowers? It is said that in New York City there are children who have never seen the sun rising in his majesty, nor looked upon it setting in its glory. Brick and mortar—these

are their prison walls—and shall we adopt a policy which hastens the day of such a fate for our little ones? And shall we because forsooth dishonest men avoid paying their just share of the government's burdens, just as the thief steals the honest man's purse—because forsooth, a Single Tax would be easy to collect—shall we enter upon a policy of spoliation and confiscation?

Action by the Meeting

THE VICE-PRESIDENT: The time is up for discussion of this particular amendment, and I will now call for a vote. All in favor of what is known as the home rule constitutional amendment, will signify it by a show of hands.

32 voted for and 24 against the proposed amendment.*

World Almanac.

The Single Tax.

The following statement of the Single Tax principle was written by Henry George, Sr.:

We assert as our fundamental principle the self-evident truth enunciated in the Declaration of American Independence, that all men are created equal and are endowed by their Creator with certain inalienable rights. We hold that all men are equally entitled to the use and enjoyment of what God has created and of what is gained by the general growth and improvement of the community of which they are a part. Therefore, no one should be permitted to hold natural opportunities without a fair return to all for any special privilege thus accorded to him, and that that value which the growth and improvement of the community attaches to land should be taken for the use of the community; that each is entitled to all that his labor produces; therefore, no tax should be levied on the products of labor.

To carry out these principles, we are in favor of raising all public revenues for national, state, county, and municipal purposes by a Single Tax upon land values, irrespective of improve-

* There were 89 members and guests present. Club members at this date, 1,274.

ments, and all the obligations of all forms of direct and indirect taxation.

(Since in all our states we now levy some tax on the value of land, the Single Tax can be instituted by the simple and easy way of abolishing, one after another, all other taxes now levied and commensurately increasing the tax on land values until we draw upon that one source for all expenses of government, the revenue being divided between local governments, state government, and the general government, as the revenue from direct tax is now divided between the local and state governments, or by a direct assessment being made by the general government upon the states and paid by them from revenues collected in this manner. The Single Tax we propose is not a tax on land, and therefore would not fall on the use of land and become a tax on labor.

* (It is a tax not on land, but on the value of land.) Then it would not fall on all land, but only on valuable land, and on that not in proportion to the use made of it, but in proportion to its value—the premium which the user of land must pay to the owner, either in purchase money or rent, for permission to use valuable land. It would thus be a tax not on the use and improvement of land, but on the ownership of land, taking what would otherwise go to the owner as owner, and not as user.

* In assessments under the single tax all values created by individual use or improvement would be excluded, and the only value taken into consideration would be the value attaching to the bare land by reason of neighborhood, etc., to be determined by impartial periodical assessments. Thus the farmer would have no more taxes to pay than the speculator who held a similar piece of land idle, and the man who, on a city lot, erected a valuable building would be taxed no more than the man who held a similar lot vacant. (The Single Tax, in short, would call upon men to contribute to the public revenues not in proportion to what they produce or accumulate, but in proportion to the value of the natural opportunities they hold. It would compel them to pay just as much for holding land idle as for putting it to its fullest use.) The Single Tax, therefore, would—

1st. Take the weight of taxation off the agricultural districts, where land has little or no value irrespective of improvements, and put it on towns and cities, where bare land rises to a value of millions of dollars per acre.

2d. Dispense with a multiplicity of taxes and a horde of tax-gatherers, simplify government, and greatly reduce its cost.

3d. Do away with the fraud, corruption, and gross inequality inseparable from our present methods of taxation, which allow the rich to escape while they grind the poor. (Land cannot be hid or carried off, and its value can be ascertained with greater ease and certainty than any other.)

4th. Give us with all the world as perfect freedom of trade as now exists between the states of the Union, thus enabling our people to share through free exchanges in all the advantages which nature has given to other countries, or which the peculiar skill of other peoples has enabled them to attain. It would destroy the trusts, monopolies, and corruptions which are the outgrowths of the tariff. It would do away with the fines and penalties now levied on any one who improves a farm, erects a house, builds a machine, or in any way adds to the general stock of wealth. It would leave every one free to apply labor or expend capital in production or exchange without fine or restriction, and would leave to each the full product of his exertion.

5th. It would, on the other hand, by taking for public use that value which attaches to land by reason of the growth and improvement of the community, make the holding of land unprofitable to the mere owner and profitable only to the user. It would thus make it impossible for speculators and monopolists to hold natural opportunities unused or only half used, and would throw open to labor the illimitable field of employment which the earth offers to man. It would thus solve the labor problem, do away with involuntary poverty, raise wages in all occupations to the full earnings of labor, make overproduction impossible, until all human wants are satisfied, render labor-saving inventions a blessing to all, and cause such an enormous production and such an equitable distribution of wealth as would give to all comfort, leisure, and participation in the advantages of an advancing civilization, in securing to each individual equal right to the use of the earth. It is also a proper function of society to maintain and control all public ways for the transportation of persons and property, and the transmission of intelligence; and also to maintain and control all public ways in cities for furnishing water, gas, and all other things that necessarily require the use of such common ways.

Public. 14:392-3. April 28, 1911.

Single Tax in New South Wales. A. G. Huie.

The second general election for aldermen under the local government Act* held on the 28th of January, might be supposed to have been affected by the almost universal adoption of placing local taxation entirely on land values. In fact, however, in a vast majority of places this question was not an issue in any sense. It is generally recognized now as the right thing to raise local revenue from the unimproved value of the land alone. Our task, then, was comparatively easy. We had only to pay attention to a few places where full advantage has not yet been taken of the law. ✓

At Prospect and Sherwood the three worst opponents of this policy were defeated. Also at Lane Cove, a doubtful place which had for three years challenged the energies of our local friends to back up friendly aldermen in the Council. At Woollahra an alderman who recently proposed taxes on improvement values, was defeated, and a land value taxpayer elected in his stead. In various other places old opponents were rejected.

The place that has given us most trouble is North Sydney. It is the largest municipality outside the city, in the state. The aldermen were an intensely conservative lot. They hated the new Act. Like all conservatives, they believed in a borrowing policy, and (outside the city) had the largest debt in the state. Some of the most vicious examples of land monopoly in the metropolitan area are in North Sydney, and the aldermen appeared to think that it was their bounden duty to nurse them. In 1908 they decided to levy entirely on unimproved values at $3\frac{1}{2}$ d. in the pound, but they made it clear that they were against the principle. They really wished to impose an "additional general rate" on improved values, but feared the referendum poll.

Now it is well known that cunning lawyers may find a loophole in the best of laws. Our Local Government Act was no exception to that general rule. The aldermen found that under it they could impose a "loan" rate for the payment of interest and the repayment of principal without a referendum vote. So in 1909, instead of again imposing the $3\frac{1}{2}$ d. rate on land values, they reduced it to $2\frac{1}{2}$ d. and imposed a loan rate of 0.35d. on

* See *The Public*, volume xiii, page 1085.

improved values. We made a protest, but having no power to demand a referendum, were helpless.

In 1910 the rates were put at 2¾d. for land values and 0.33d. for improvement values. I tried to rouse the local people but failed. It is a hard place to work. But as the time for election drew on I issued two leaflets and held a number of open-air meetings. The effect was good. The aldermen against us were reduced from 11 to 4, to 8 to 7 in our favor. But a majority of one was too narrow, especially as one or two men on our side were rather doubtful. One of them was absent when the question of imposing the tax came on. Then one of the other side came round to our view, saying he was convinced that the people wanted rating on land values only; but one on our side deserted, giving a bogus reason for doing so. That made the voting equal, and the Mayor gave his casting vote in favor of taxing improvements. If the absent man returns in time and votes straight it may be possible to prevent the rate being confirmed, but this is doubtful.

Our agitation has had the effect here of reducing the rate on improvement values. The rates for 1911 are 3½d. in the pound on unimproved values and ½d. in the pound on improved values.

We are certain to win in the long run even in North Sydney.

The municipalities and shires of New South Wales that raise local revenues from the taxation of land values—all that I am yet able to give figures for, and it is not a picked list—number 46. Their rates vary from half a penny to 5½ pence in the pound of capital value. In one (Redfern), the rate is 5½; in two, it is 5; in four, it is 4½; in five, it is 4; in sixteen, it is 3; in ten, it is 2; in five, it is 1. The list comprises thickly populated suburban districts, country towns, and sparsely populated rural districts, which we call "shires." There are five municipalities that levy local taxes on "improved values," meaning the value of land and improvements taken together—"real estate" taxation as I understand you would call it in the United States.

So you see that almost all local taxation in New South Wales is entirely on land values, except the "City" portion of the metropolis. And this was one of the main factors in starting a great building boom over three years ago, of which there is no sign of slackening.

The procedure adopted by a council in imposing local taxation is simple. First of all the aldermen consider the estimates for the year. They then consider how the money is to be raised. Thereupon the Town Clerk advertises the result, which must be confirmed within a month. Notices are then sent to landowners to pay. Following is an exact copy of one of these advertisements, published in the *Daily Telegraph*, February 14, 1911:

MUNICIPALITY OF RANDWICK.

Estimates for the financial year ending December 31st, 1911, under Section 142 of the Local Government Act of 1906-7-8.

Notice is hereby given that at a duly constituted meeting of the Council of the above Municipality held on February 7, 1911, the following estimates were submitted to the Council in pursuance of the above Act, and duly approved, viz.:

Amount of proposed expenditure out of the General Fund, to be carried	£ 28,548
Amount in hand available for such expenditure.....	173
Amount of other revenue likely to be available.....	6,153
Amount required to be raised by the rate for such expenditure (net)	22,222
The total unimproved capital value of the Municipality is.....	1,364,518

It is proposed to raise the required amount by making and levying a general rate of 4d. in the £ on the unimproved capital value of all rateable land within the Municipality.

ERNEST H. STRACHAN, Town Clerk.

Town Hall, Randwick, Feb. 13, 1911.

When a Council wishes to levy other rates, the procedure is similar, but it has also to set out clearly that a poll may be demanded except in the case of a "loan" rate, as in North Sydney.

I have endeavored to describe what is being done in New South Wales, so that the reader may compare it readily with what is done in his own town or district. He cannot go wrong in heartily supporting the New South Wales plan.

We are determined upon taxing unimproved values alone in the "City"—Sydney—and to get the amendments in the local Government Act necessary to finally settle the whole question of local taxation for all time.

A deputation has waited upon the Minister for Public Works, the Hon. Arthur Griffith, and made among others the following requests (the term "rates" meaning local taxes), to which Mr. Griffith responded sympathetically:

Make occupied Crown lands in the city rateable in the same way as in the suburbs and country. Present occupied Crown lands in the city are rateable on the rental value, but not on the unimproved value.

Make rating on unimproved values compulsory, or allow a poll in all cases on the same lines as the Local Government Act provided in respect of "additional general," "special," and "local" rates. At present a loan rate for interest and sinking fund may be imposed on improved values without a poll being allowed, as has been done in the case of North Sydney.

Land occupied for railway purposes to be rateable.

No exemption or partial exemption in the case of land used for private school purposes.

Effective voting for city, municipal, and shire elections. Probably there is not one local council in the state that is truly representative of the electors, because of the evil effects of bunching, throwing votes away, etc., whereas proportional representation would enable every man to vote in a straightforward way, and the result would be representative in the fullest sense.

A public valuation of lands for all purposes—local, state and federal, on the lines of the New Zealand Act.

Survey. 31: 520, 538. January 31. 1914.

Present Status of the Single Tax Movement Here and Abroad.
Charles H. Ingersoll.

That the Single Tax is growing apace the world over is obvious even to casual observers. I have had exceptional facilities for knowing its status in other parts of the world, and doubt if such constructive progress has ever been shown as in the past year.

The backbone of the Lloyd-George movement is the Single Tax principle. The budget fight grew directly out of the inclusion of one per cent tax on land values and the land valuation clause through which this was to be effectuated. Lloyd-George has now announced that he proposes to take further definite steps. In England, although militancy has driven almost everything else from the limelight, the conviction is firmer and more general that the Liberal government is definitely committed to progressive land value taxation.

In Germany the movement is organized, and, though taking a form which does not meet the full approval of American single taxers, *i. e.*, the tax on increment as now suggested here in New York by the mayor's commission, is perhaps for this reason a

stronger and more popular movement than that in any other country.

In Spain, at Ronda, in May, there was held a Single Tax conference, which not only attracted delegates from many countries, but was also popularly successful, leaving in its wake a national organization and an organ of the movement.

While in Berlin I received a message from one of the leaders in Copenhagen that "Denmark would be the first nation of the earth to write the Single Tax into national law—and that soon." I found in Denmark greater general intelligence and in some respects stronger organizations than elsewhere.

In Sweden, also, the movement is well organized, and one of the indications of its strength is a daily paper in Stockholm under Single Tax auspices.

Besides these countries there are nebulous agitations for the Single Tax in Italy, France (where there is a Single Tax paper) and Belgium. Australia and New Zealand have long been known as experiment stations of the movement. The latter, especially, has produced the most concrete results up to the recent developments in western Canada. There is good reason for believing that the new government of China will adopt definite measures. Dr. Sun Yat Sen is known as an advocate of the Single Tax.

Notwithstanding these facts, my opinion is that the movement will hereafter make greater progress on this continent than elsewhere, and that Canada is at present furthest advanced. Vancouver has taken the final step in the removal of practically all taxes from industry, *i. e.*, buildings, personal property, etc., and the most reassuring thing regarding her experience is the fact that the process has covered a period of eight or ten years, and four distinct stages, wherein one-quarter of such taxes were removed at each step, thus proving that the theory was sound and its working satisfactory.

The history and present condition of Vancouver is the best commentary on the Single Tax that can be cited. Her experience has resulted in a general trend in Canadian cities of the Northwest in the same direction. In these communities the Single Tax will be found in its early and cruder stages, and with uniformly satisfactory results. Furthermore, this influence is being definitely felt in neighboring cities in the American Northwest, and is beginning to create unrest throughout this country.

The way in which it works is that other cities become envious of the prosperity of the Single Tax towns, and join the movement in self-defense. This stage of the evolution would indicate that we are winning general success.

Some Canadian and northwestern cities are advertising in the United States to attract industries, boldly proclaiming the Single Tax as a reason why industries thrive there. The great influx of Americans to Canada, now amounting to something like 200,000 annually, is doubtless accelerated by the current reports of Single Tax prosperity.

It is necessary to call attention to the fact that the untaxing of personal property and improvements is by no means a full measure of the Single Tax, and we are aware that stopping at this point would not produce any, and surely not all, benefits of the unlimited Single Tax. The unlimited tax would not only raise all needed public revenues from land values and, if it did not absorb all the value of the land, would proceed to take all remaining land values, so that all speculation in land would be adequately checked. There is danger that with merely partial measures land speculation would even be accelerated, so that the Single Tax must not be judged by any existing exemplifications of its beginnings, favorable as are the present results.

In the United States there are a dozen healthy but more or less sporadic political movements directed toward the Single Tax. These are in Rhode Island, New York, New Jersey, Colorado, California, Oregon, Washington, Louisiana and other states. Some are being promoted definitely by the Joseph Fels Fund which has been disbursing from \$50,000 to \$100,000 for several years in this work. But to my mind the strength of the movement is indicated by the fact that it appears in many respects most healthy where unpromoted.

In California, for example, in 1912 150,000 votes were cast in certain counties for a tax measure intended to open the way to the Single Tax, and this in a movement but a few months old. Everett, Wash., carried a complete abolition of taxes except on land by a two-thirds vote. Forty per cent of the votes in St. Louis and Kansas City were cast for Single Tax measures, and one-third of the voters in the three largest counties in Oregon voted Single Tax. Altogether, nearly 400,000 voters in Oregon, Missouri, California and Wisconsin declared for Single Tax.

Seattle elected a Single Tax mayor, and a Single Tax measure was defeated by only a small majority. Another campaign is under way.

Herbert S. Bigelow, one of the oldest and most prominent single taxers in the country planned and carried through the new Ohio constitution, although a specific inhibition of the Single Tax was made a part of it. This "victory" Bigelow did not strenuously contest. A similar inhibition is now being sought by the frightened interests of Oregon and Missouri. These, though negative, are strong evidences of the imminence of the Single Tax, as in each of these three states the initiative and referendum, promoted always by Single Taxers, has been made a part of the fundamental law. Through these measures inhibitions are as easily removed as affirmative laws are secured.

The 1913 elections contributed heavily to publicity, and in some cases more substantially. In Pueblo a contested campaign was conducted for 50 per cent exemption of improvements the first year, and 99 per cent thereafter; carried 2,711 to 2,171 against; Commissioner Burton, Single Taxer, re-elected though bitterly opposed; so general was interest, in the state, that movements are already under way in other cities there. In Houston, Tex., J. J. Pastoriza was re-elected, and his program of exempting improvements approved by the voters after several years of practical experience.

In New York, Benjamin C. Marsh and his organizations for "halving taxes on improvements" were active factors in the election of Mayor Mitchel and twenty-seven assemblymen, pledged to his proposition. That the mayor's pledge was not perfunctory may be concluded from the fact that he has retained J. J. Murphy and Lawson Purdy in, and appointed Raymond V. Ingersoll to, his cabinet. All these men are Single Taxers. John J. Hopper was elected register.

In New Jersey a spectacular Single Tax campaign was waged by George L. Record, Edmund B. Osborne and others, to nominate the latter as governor, on a plank written in the Progressive platform at the convention. This failed, but Colby ran third on the issue, which was widely exploited all over the state for months. Charles O'Connor Hennessey, single taxer, (a brother of John A. Hennessey, Tammany's Nemesis), was elected to the Senate, and E. Yancey Cohen, defeated for Assembly.

Massachusetts had a campaign similar to New Jersey's with Single Tax a leading issue with the Progressives, who came in second. Controversies between the candidates, on this issue, obtained national publicity.

I might mention that there are at least thirty single taxers in Congress, and a half-dozen governors definitely "under suspicion." The fact is that almost all statesmen in the country are under similar suspicion, and Single Tax sentiment unquestionably pervades many progressive movements.

State Single Tax leagues have been organized in several states in the last year. One interesting collateral fact is the extent of the agitation for better methods of appraisal; besides the general adoption of separate valuation of real estate and improvements and of various improved methods of real-estate appraisal, such as that of President Purdy, of New York. The Manufacturers Appraisal Company of Cleveland is steadily installing the Somers system in large cities throughout the country. Secretary Lane's recent messages, especially concerning water powers and Alaska, are full of Single Tax doctrine. The contest at the annual meeting of the National Conservation Association was mainly on Single Tax principles, which President Pinchot upheld successfully.

In conclusion, let me cite as further secondary evidences of progress—equally as significant as the numerous events cited—the fact that the three great national illustrated weeklies, the *Saturday Evening Post*, *Collier's* and *Harper's*, are all writing Single Tax editorials. The *Outlook* has given an extensive review of the movement. More significant perhaps, is a series of articles in the *Real Estate Magazine*, the first of which is a veritable call to arms in defense of vested rights—in fact, acknowledging that the Single Tax is on the way and may not be blocked without arousing those whose property values would suffer by it. The *Atlantic Monthly* is publishing a series of debates on this subject between F. W. Garrison, affirmative, and A. S. Johnson, negative. The press generally is giving generously of space to this subject. An exhibit of Single Tax literature is being prepared for Columbia University by Professor Johnston, the librarian.

Altogether, single taxers are inclined to join the *Real Estate Magazine* in the admission that the Single Tax cannot be stopped, even by owners of speculative real estate.

Outlook. 105:115-8. September 20, 1913.) . /

Single Tax.

It is hardly an exaggeration to say that twenty-five years ago the term "Single Taxer" was as odious and terrifying in the rich states of the North Atlantic seaboard as the term "abolitionist" was fifty years ago in the states of the South Atlantic seaboard. The term "Single Tax" was invented by Thomas G. Shearman, a distinguished New York lawyer, who was an eminent authority on taxation. Henry George adopted it to describe the method devised by him of taxing land values so that the unearned increment, as he called it, shall go to the community which creates it and not merely to the individuals who now reap the benefit.

The Single Tax theory was first propounded by Mr. George in 1871 in a book called "Our Land Policy," but it received its most famous exposition in "Progress and Poverty," which Mr. George published in 1879. In 1882 Mr. George stumped Ireland, and again in 1884 he made a three months' tour throughout Great Britain, speaking in the principal cities to large audiences and making a strong impression. In 1890 he spent nine months in a trip to Australia and a tour around the world.

What has been the progress of Mr. George's taxation doctrine during the thirty-four years since the publication of "Progress and Poverty"?

This question is worth answering because interest in the problem of land taxes is steadily growing. In even so conservative a state as New York, a state in which the landowning interests are strong and influential, there is a definite movement in favor of increasing the taxes on land and decreasing them proportionately on improvements. In New Jersey also, a rich and conservative state, the mother of corporations, the two prominent candidates for the governorship within the Progressive party are both appealing for support on the ground that they advocate the taking of the burden of taxation from improvements and transferring it to land values.

Before we endeavor to answer this question it must be pointed out that there is a very widespread error in the public mind regarding the Single Tax. Many people, perhaps most people who have not looked into the matter, consider that the Single

Tax means the abolition of private property in land. To impose a Single Tax on land values or ground rent means nothing of the kind, although it is true that Henry George did not believe in private monopoly of land as at present existing and proposed to use the Single Tax as a method of abolishing it.

It is obvious that ground rent or the unearned increment can be taxed at any rate per cent chosen by the taxing authority. Of course, if the state takes twenty, fifty, or ninety per cent, the individual has only the balance. Mr. Fillebrown, in Massachusetts, and Messrs. Colby and Osborne, the gubernatorial candidates in New Jersey, believe that the Single Tax can be applied to real estate values in the cities of Boston and Newark in such a way as practically to take taxation entirely from improvements, thus fostering and developing improvements, and yet leaving a reasonable share of the increasing ground rent or land value or unearned increment to the private owners.

We believe it will surprise some of our readers, as it has surprised us, to learn what the progress of the Single Tax has been in the various parts of the world in the last few years. We are enabled to give this record through information collected, condensed, and arranged by Mr. C. B. Fillebrown, one of the best-known and best-informed authorities on the so-called Single Tax.

Great Britain has been the last to move, and her first step was comparatively a short one. The Lloyd George Budget of 1909, which finally became a law in 1910, imposed four different taxes upon land, the first and most important of which was the so-called increment value duty. This imposes a tax of 20 per cent upon land increment arising after 1909, payable by the owner when land is sold, leased for more than fourteen years, or transferred at death. Land held by corporate bodies and not changing hands is to pay the tax every fifteen years. To carry the law into effect it was necessary, of course, to provide for a complete appraisal of all the land in Great Britain, in order to determine its value, exclusive of improvements, in the year 1909. This work, which is estimated to cost \$10,000,000 and to require five years, is now under way, and it will result in a monumental survey comparable to Domesday Book.

In the *German Empire* the first of the recent experiments in taxing the increment of land was made in the model German

colony of Kiaochau, established in China in 1897. The land and tax ordinance of 1898 imposed a tax of $33\frac{1}{3}$ per cent of any increment of value accruing thereafter to private purchasers of lands acquired from the Government, a tax of 6 per cent on the value of land, exclusive of improvements, and a tax on land sales at auction. This ordinance suddenly and unexpectedly realized the German land reformers' programme in a German colony under the direct control of the Imperial Government. It naturally aroused great interest, and soon led to attempts to tax the unearned increment in various German cities. Frankfort and Cologne took the lead, in 1904 and 1905. Their example was rapidly followed by scores of other municipalities, including most of the large cities, until by 1910 the increment tax was in operation in 457 cities and towns and was yielding a substantial revenue. The rates of taxation ranged from 1 per cent to 25 per cent of the amount of the increment.

In 1911 the German Empire introduced an Imperial increment tax. This law imposes a progressive tax, increasing according to the percentage which the increment bears to the original value of the land. The rate is 10 per cent of the increment when that amounts to 10 per cent of the original value, and increases 1 per cent for each additional 20 per cent of increment until it reaches 19 per cent on increments ranging from 170 per cent to 190 per cent. From that point it increases 1 per cent for every additional 10 per cent of increment, until it reaches 30 per cent on all increments of 290 per cent and over, with provision for certain deductions. The Imperial tax is intended to unify the taxation of the unearned increment throughout the Empire, and will replace the local increment taxes. To compensate the cities for the revenue thus lost, the law provides that 40 per cent of the product of the Imperial increment tax shall be apportioned to the local governments; while the states are given 10 per cent, and the Empire retains 50 per cent. Authority is granted, however, to impose additional rates for local purposes; so that some measure of local option is retained.

In *Australia* Queensland has already adopted the exemption of all improvements, and New South Wales, South Australia, and every other state, as well as the Federal Government, are moving steadily in the same direction.

New Zealand has had a graduated state land tax since 1891,

which has already to a great extent accomplished its purpose of breaking up large estates. In 1896 local bodies were empowered to levy their rates on the unimproved value of land. By 1909 not less than eighty-five districts had adopted the method, with satisfactory results.

Of the nine *Canadian provinces* three have taken important steps toward the Single Tax. In *British Columbia* provincial revenue is still derived from poll, property, and income taxes, but since 1891 municipalities have been permitted to exempt improvements from taxation in part or in whole. Since 1892, indeed, municipalities have not been permitted to assess improvements at more than 50 per cent of their actual value. Under the authority thus granted all the important urban and many rural municipalities now exempt improvements entirely, thus raising practically all local revenue from land. The Government, through its Finance Minister, the Hon. Price Ellison, now formally announces its purpose to adopt the Single Tax for all provincial revenues. He says: "Our aim is to reach a point where direct taxation will be eliminated and our revenues will be obtained from the natural resources of the province. This I regard as a sound policy."

In the *Province of Alberta* there were established in 1912 fifty-two municipalities, which are required to levy their taxes on land values only. The same is true of seventy-four villages, also of forty-four out of forty-six towns. In 1912 the province enacted laws, practically without opposition, requiring, with two exceptions, all towns, all rural municipalities, and all villages to raise their local revenues from taxes assessed upon land according to its actual cash value. The five cities of Alberta have special charters granting wide discretion. Edmonton has exempted all improvements since 1904, and the others are following suit.

In *Saskatchewan* about twenty villages confine taxation to land alone. This province has just passed a new act requiring all rural municipalities to raise their revenue from taxation of land values exclusively, and imposing a graduated surtax, beginning in 1914, upon unoccupied lands. Its main feature is the imposition of a tax of \$40 per section of 640 acres upon land of any owner or occupant exceeding 640 acres which has less than one-half its area under cultivation.

In *Ontario* 300 municipalities have petitioned for power to reduce taxes on improvements. By twenty-three to one the Toronto City Council, in January, 1913, submitted to the citizens the question of exempting buildings, whereupon the citizens voted in the affirmative four to one.

In contrast with these gradual, patient British and Colonial attainments, the record of the United States for actual achievement is a comparative blank. This condition in the birthplace and home of the great expounder himself is not easy to account for.

The chief factor in the practical attitude of the two nations is the difference between the English and American methods of procedure. In England the voters begin at once to discuss among themselves the advantages of the land tax, and straightway, by the very cohesion of a common thought, they set about to get it, with, as it were, one heart and voice, by enactment of land laws. In this country the voters are of a different type; they are mostly too busy to concern themselves with making even their own laws. Consequently the cause has been consigned to scattered organizations, which have proceeded to discuss the theoretical possibilities and impossibilities and probabilities of every phase of the Land Tax question, combined with other questions more or less related, to the end of the catalogue.

The moral is that education and not partisan propaganda is the surest path to the triumph of that economic justice which alone can solve our economic problems.

Tax Reform League, Seattle.

Erickson Single Tax Amendment.

1. The Erickson Amendment does not affect state or county taxes at all. It affects only city taxes.

2. It exempts from city taxes the improvements on land; that is, buildings, factories, etc., and personal property—household goods, machinery, stocks of goods, tools, etc.

3. It taxes land values merely, whether there are buildings on the land or not, and it taxes the franchises of public service corporations, such as the Seattle Electric Company, the Seattle Lighting Company (gas company), etc. Besides, it taxes such

leasehold interests in land as that given by the state on the "old university grounds."

4. The assessed values of the land will not be raised or lowered by the Amendment,—it affects only the rate or percentage of taxes paid; it reduces the rate (for city taxes) on improvements and personal property to nothing.

The total tax rate for state, county, school and city is 30 mills, or \$3.00 on \$100 of assessment. The part of this tax for city purposes is 14 mills, or \$1.40 on \$100 of assessment,—almost one-half.

The general effect of the Erickson Amendment, then, will be to take nearly half of the total tax (for all purposes, city, county, school and state) off of buildings and personal property (47% is the exact amount) and this tax, of which buildings and personalty are relieved, will fall on land, both vacant and improved (and on franchises); the total tax for all purposes on land, vacant and improved (and on franchises) will be 25% higher than now.

Every man can figure for himself the change this Amendment will make in his own tax.

1—Find out the total tax on land, and on buildings and personal property, separately.

2—Subtract one-half (47% to be exact) from the tax paid on buildings and personal property.

3—Add one-quarter to the tax on land alone, whether vacant or improved.

Business Property Will Pay More. Residence Property Will Pay Less.

The Erickson Amendment will shift taxes from residence property to business property. Here is the proof:

BUSINESS PROPERTY

On two sides of Second Avenue, between Yesler Way and Pike Street, there are 85 lots. Their total assessed values are as follows:

Assessed value of land.....	\$ 9,179,250
Assessed value of buildings.....	2,719,690
Total.....	<u>\$11,898,940</u>

The 1911 tax NOW makes these 85 lots with the improvements pay \$403,374 per year. Under the Erickson Amendment (under which buildings would pay less and land values would pay considerably more than now) these properties would pay \$441,894—an increase of \$38,520.

The same thing is true of Third Avenue, between Yesler Way and Pike Street. The present assessed values are as follows:

Assessed value of land.....	\$5,286,180
Assessed value of buildings.....	809,180
Total.....	<u>\$6,095,360</u>

The present tax paid by these properties is \$206,631; under the Erickson Amendment they would pay \$242,576—an increase of \$35,945.

It is important to remember that this additional sum, to be paid by the landlords of business property, cannot make the cost of living higher; they cannot charge more rent and thereby increase prices, for the rent is now (and always is) at the highest point which people can or will pay.

RESIDENCE PROPERTY

In the Moore's University Park Addition, lying north of the University campus, a comparison of the 1911 taxes with the Single Tax on the same property under the Erickson Amendment is as follows:

	Improved lots.	Vacant lots.
1911 taxes for all purposes.....	\$6,023	\$ 9,427
Under Erickson Amendment.....	<u>4,297</u>	<u>12,029</u>
	Decrease \$1,726	Increase \$2,602

A total saving to the ones who have improved their property of \$1,726. The average assessed valuation of the improved lots is \$660 and of the houses \$1,690, total \$2,350.

1911 taxes for all purposes.....	\$78.00
Under Erickson Amendment.....	<u>57.80</u>

Each home-owner would save \$20.20

GREEN LAKE

In the whole of Burns & Atkinson's Addition, located in the heart of the Green Lake District on the east side of the lake, the 1911 taxes compare with the Single Tax under the Erickson Amendment, as follows:

	Improved lots.	Vacant lots.
1911 taxes for all purposes.....	\$5,089	\$1,236
Under Erickson Amendment.....	4,089	1,578
	<u>Decrease \$1,000</u>	<u>Increase \$342</u>

BALLARD

In Gilman Park, Ballard, Blocks 1-53:

	Improved lots.	Vacant lots.
1911 taxes for all purposes.....	\$15,830	\$3,679
Under Erickson Amendment.....	13,948	4,709
	<u>Decrease \$1,882</u>	<u>Increase \$1,030</u>

Mr. C. J. Smith lives at 6539 Earl Street, N. W., Seattle. In 1911 he paid \$36.95 tax for state, county, school and city purposes on his house and two lots—\$30.23 of this was the tax on his house and \$6.72 was the tax on his two lots (\$3.36 each). If the Erickson exemption amendment (to be voted on March 5th, 1912) had been in force he would not have had to pay any city tax on his house. The tax on his house would have been reduced one-half—from \$30.23 to \$15.12; his lot tax would have risen to \$8.40 (\$4.20 each); he would have paid, altogether, \$23.52 instead of \$36.25 as now.

Public 14:233-4. March 10, 1911.

Taxation of Land Values in Canada.

Portions of Special Correspondence from Edmonton, published in the *Toronto Daily Star* of October 22, 1910.

Edmonton may be called the home of the Single Tax. Though the name of Edmonton has been on the map for over a hundred years, the period of its larger growth may conveniently be dated from 1904, the year the city charter was granted.

In the charter the principle of the Single Tax was adopted as the basis of assessment and taxation, that is, taxation on land values only, with no tax on improvements; and this being now the sixth year of its operation, it is of interest to inquire how it works out, and how the people like it.

The Single Tax idea was modified by the addition of business and income taxes, but the head of opinion here is towards taxation of land values pure and simple, and it is probable that in a few years' time the business and income taxes will be discarded.

The people like the system. One hears no sentiment at all in favor of going back to assessment of building or improvement values. It is simple and easy of administration and equitable in results. It prevents, or at least tends to prevent, the holding of land vacant for speculative purposes. Two pieces of land equally well located, one vacant, and the other with a million dollar building on it, would contribute, outside of the business tax, exactly the same amount to the city funds, so that one can see that the holding of land vacant or with cheap, light revenue producing buildings is not apt to be a profitable venture for any great length of time. Of course the recent rise in land values has been so rapid and so phenomenal in extent that so trifling a thing, in comparison, as taxation has hardly been given a thought; but taxation necessarily keeps pace with rise in land values, and in the long run it will not pay to hold on to unimproved town sites.

Outside the business center it costs no more taxation to carry improved, revenue-producing property than it does vacant land similarly situated, and that fact alone must in the long run result in a compact, well-built-up city, and it is as well a factor to be taken into consideration in the purchase of outlying lands in the corporation.

The corporation of Edmonton embraces now about ten thousand acres. It has a total assessment of thirty millions and a tax rate this year of seventeen mills on the dollar. The general assessment is based on land value only, fixed by the assessor. He is guided in fixing this value by recent sales, by his knowledge of the property, its location, etc., and in arriving at this he pays no attention to the character of the building or whether it has any building on it at all or not.

The satisfaction given by the system of taxation followed in Edmonton has induced other corporations to follow suit.

Strathcona, the city across the river, with 5,000 inhabitants, imbedded the system into its charter. This year that city has progressed so far towards the pure Single Tax as to cut its business tax in half.

The City of the Plains, Regina, investigated, and adopted the plan.

The biggest city of the West, the young giant of the coast, Vancouver, has gone the full length, and this year adopts the

Single Tax pure and simple, land values only, without business tax. The result there will be watched with the widest interest. It is the first to go the whole hog, and to go it on an extensive scale.

Enquiries and delegations from many parts of Canada, and from many parts of the United States as well, have reached Edmonton on investigation bent, and the system may already be said to have obtained a solid foothold in the West.

The simplicity and ease of administration of the system is one of its chief beauties. It is much easier to compare and equvalate assessment of land than of buildings or personal property. There are practically no appeals made from assessed values as such. The whole business of the Court of Revision for the city is disposed of in a sitting of an hour or two duration.

No doubt a good part of its success here is due to the service of a competent and impartial official who deservedly gained the confidence of the rate payers. To the assessor and tax collector, which offices in Edmonton are combined in the person of that dour yet canny Glaesca' chiel, Mr. D. M. McMillan, is due much of the credit for the inauguration and successful operation of the system in the city. He has perfected the details so that it runs along like clockwork, and he is given practically a free hand in working it out. To him and to the genial mayor of the city, Mr. Robert Lee, we are indebted for the particulars from which the scheme has been outlined above.

Everything is not lovely, however, not even with the Single Tax. When the city takes on growing pains and demands room for expansion, the outlying districts do not want to come into the charmed Single Tax area. Their assessment would be mostly all land values, and they claim that the parts of the city where extensive improvements exist free of taxation would get them the best of the bargain. They demand concessions, and Edmonton had to grant their demands to coax them in. The city agreed that for five years their assessment would be made for school purposes only, and it will be three years yet before the added area pays full taxes.

Strathcona agreed that until the farm lands were sub-divided and sold they would only be assessed at \$10 per acre, equal only to a trifling assessment of \$10 each for a town lot. The

sub-divisions of farm lands spring up all around the fringe of the corporations, where land is cheap and taxation very light, and residents still have the advantage of contiguity to a center of population. This kind of thing occurs in every city, of course, but the tendency thereto seems to be increased by the Single Tax System.

Public. 15:436-8. May 10, 1912.

Typical Objections to Land Value Taxation.

Objection: The Single Tax places the financial burdens of government upon producers, though all receive equal protection and benefits. Answer: (1) The Single Tax exempts all producers from all taxation. (2) It takes for public revenues only land values, those values of land which are due not to individual effort but to general conditions. (3) To the extent that those values are untaxed for general use, the benefits of government are not equal; for land owners are thereby allowed private incomes out of a common fund.

Objection: The Single Tax, when applied to the fullest extent, is destructive to land values. Answer: (1) As to capitalized land values (selling price), this is true; but as to annual land values (ground rent), it is not true except to the degree that ground rent is now abnormally high because land speculation abnormally lowers the supply of land. (2) Both as to capital value and annual value, the Single Tax would deprive land owners of only so much land value as is due not to individual effort but to general conditions—approximately to the full if fully applied, and in degree if only partly applied.

Objection: In this country land values do not belong to the people as a whole, because the government, which is of the people, has by Constitutional laws duly conveyed the public domain to individuals for a consideration. Answer: (1) No government of the past may irrevocably sell in perpetuity the natural heritage of future generations. (2) Our government never sold the land values of the present and future; and could not, for that would be in effect the sale in perpetuity of a power of private taxation. (3) As the Constitutions and laws under which our government sold were by their own terms

amendable, any rights acquired are subject to that reservation; and when those laws and Constitutions are duly amended, all transactions under them are void if the amendment so declares or to the extent that it so declares. Therefore, the question raised by a Single Tax amendment is not whether it would destroy private ownership of land values but whether it is in the public interest. Any of our Constitutions and laws which provide that all property shall be taxed, may be amended without depriving any one of any rights. The power of taxation is a power about which all publicists are agreed that it must not be tied up.

Objection: The shifting of taxes from improvements to land values would increase taxes on improved real estate where the value of the building is less than the value of the land, thereby lessening taxes on skyscrapers and palaces and increasing them on cottages and vacant land. Answer: (1) If taxes were increased on improved property where the value of the building was less than the value of the land, the increase would be at the expense of land monopoly and to the gain of the building trades. What real objection is there to this? (2) To exempt palaces and skyscrapers would tend to make palaces and skyscrapers cheaper, and thereby to increase employment and stimulate trade in building lines; to increase advalorem taxes on vacant land would tend to make all land cheaper, and thereby to increase employment and stimulate trade in all lines. (3) To increase taxes on cottage sites while lessening taxes on cottages is quite a different thing from increasing taxes on cottages.

Objection: It would so reduce the value of vacant land as to wipe out slender mortgage equities. Answer: If the tax were high enough this would be true. If it were enough higher it would wipe out the whole capital value of vacant land. But if it did either, only land monopolists would lose while land users would benefit. Since one or the other must lose, which shall it be?

Objection: It would encourage intensive use of land, thus increasing congestion. Answer: This objection needs explanation in connection with the one immediately preceding. If shifting taxes from the value of improvements to the value of sites would reduce the value of vacant land, how could it increase congestion? Do people huddle most where land is cheap, or where it is dear?

Objection: The expense of civil government is for the protection and benefit of buildings and not of vacant land. Answer: How much would vacant land be worth in the real estate market of any community where titles to land were not protected? Little or nothing. Civil government increases the market value, not of building, but of land. It must therefore be for the benefit, not of buildings but of land, including vacant land. Does any one honestly and seriously deny it?

Atlantic Monthly. 113: 545-8. April, 1914.

Third View of the Single Tax. Evans Woollen.

The Case *for* the Single Tax having been stated, and the Case *against* the Single Tax, there is reason perhaps for stating the Case *of* the Single Tax. For notwithstanding these years of disputation it is not quite clear that we are all talking about the same thing when we talk about the Single Tax. Indeed, the term seems sometimes a hardly less slippery one than Socialism. Thus, in the December *Atlantic*, Mr. Garrison defines the Single Tax as a method of raising money for the necessary expenses of government, and then proceeds to the advocacy of a project not fiscal in its primary purpose but social. It is not a method of raising money related in amount to the necessities of government, that he advocates, but a method of abolishing private property in land, a method whose application would indeed raise money available for the expenses of government, but incidentally, and in amount related to the value of the private property to be abolished, and quite unrelated to the necessities of government.

The abolition of private property in land is one thing. Governmental appropriation of the unearned increment in land-values is another. A third is the taxation of land-values. And there seems not infrequently to be failure to discriminate the one from the other, and the third from the first two. All three were involved in Henry George's propaganda. The end he sought was the abolition of private property in land. Governmental appropriation of the unearned increment, appropriation in the name of taxation, was the means. He attracted to his standard—

1. Those who, with himself, favored a tax that would take the whole rental value of land and thus abolish private property therein.

2. Those who, not favoring the abolition of private property in land, yet believed with John Stuart Mill that the state should appropriate the future increment in land-values which is said to be unearned. And

3. Those who, favoring neither the abolition nor the appropriation, yet believed that land independent of improvements thereon or therein should bear a larger burden of taxation.

And thus three things have been confounded, and the term Single-Taxers has come to include those who believe in any of the three.

Toward the first of these, the abolition of private property in land, this world of ours that takes little stock in doctrines of natural rights has made no appreciable progress since George's time. No advocate of commanding influence has appeared since the desertion of Herbert Spencer, and the interest in the subject remains academic rather than political.

Such progress as has been made under the name of the Single Tax has been toward the second of the three things confounded,—the governmental appropriation of the unearned increment in land-values, a social project for ameliorating the evils of, without abolishing, private property in land; and toward the third,—the increased taxation of land-values, a fiscal project for raising money for the necessary expenses of government.

It was the second that engaged Mill and his Land-Tenure-Reform Association. They sought to ameliorate the evils of private ownership through "the interception," to use the language of the association's platform, "by taxation of the future unearned increase of the rent of land (so far as the same can be ascertained), or a great part of that increase." By the rent of land they meant, of course, economic rent, that rent which is a remuneration for the use of what Ricardo called "the original and indestructible powers of the soil." They proposed to take the unearned increment by using the taxing machinery. It might be taken otherwise. They proposed to distribute the unearned increment by using it, in lieu of taxes, for the expenses of government. It might be distributed otherwise.

These two matters of method should not be allowed to confuse the consideration of the merits of the appropriation of unearned increment.

Confusion has arisen, too, from overlooking the fact that unearned increment does not mean an increment in value unearned by any one. It means an increment not attributable to the owner or his predecessors in the title. That there is in this sense an unearned increment in land-values is not questioned. Indeed, any increment in land-value will be found, as George says, to have "social growth as its basis. . . . A man may work or spend on land to any amount; but no matter how valuable his improvements, the land itself acquires no value except as the community around it grows and improves, or access to larger populations is opened." Would it not be right to appropriate this increment to the use of those who have earned it? Would it not be right to appropriate the increment in the Duke of Bedford's Covent Garden estate,—that estate which was worth some thirty dollars a year when it came to his family and was worth one hundred and twenty thousand dollars a year when, afraid it is said of what Lloyd George might do, he recently sold it for fifteen millions? Undoubtedly, the appropriation of all increments to the use of those who have earned them would be rightful. But many things are rightful enough that are neither practicable nor expedient. And the world seems quite to have made up its mind that the comprehensive and theoretically correct appropriation and distribution of unearned increments is one of these.

It is impracticable because the comprehensive and theoretically correct appropriation of unearned increments would have to be regardful not only of land-values but also of all the other monopolies in which unearned increments are likely to show themselves; and, as others have pointed out, would have to be regardful of unearned decrements as well as of unearned increments.

And the distribution—what of that? Who have earned and are accordingly entitled to these increments which the owners have not earned? What share has the parasite earned and what share the community-builder? To use the appropriated increments in lieu of taxes is not of course to answer the question.

It is inexpedient to appropriate unearned increments comprehensively because, as Professor Johnson pointed out in the January *Atlantic*, the chance of the unearned increment is a motive that we could not well do wholly without. The chance of getting more than is allowed by the stern logic of the theorist has started and finished much good work.

But, while this work-a-day world is not showing much interest in the appropriation and distribution of unearned increments in anything like a comprehensive and theoretically correct way, it is, in its blundering fashion, showing interest in some compromises on the subject. It was with reference to these that I said above that progress had been made, under the name of the Single Tax, toward governmental appropriation of the unearned increment.

The compromises referred to are the British and German increment taxes mentioned by Mr. Garrison, and described in the 1913 edition of Professor Seligman's *Essays in Taxation*. The British increment tax is one of the four land-taxes of 1909. A fifth of the increment in the site-value, above a non-taxable increment of ten per centum, is taken by the government when the land changes hands or, in the case of land not changing hands, every fifteen years. This legislation followed interesting increment taxes in the German Colony of Kiauchau in 1898, and in a great many of the German municipalities. The latter were supplanted in 1911 by an imperial increment tax. This tax is levied on the difference between the selling price of real estate and the purchase price plus the cost of improvements. The rate varies in accordance with the ratio of the increment to the purchase price: the minimum being a tenth of increments of not more than ten per centum, and the maximum three tenths of increments of two hundred and ninety per centum and more.

About these increment taxes of the British and the Germans two facts are to be noted: there is no purpose to abolish private property in land, and there is no appropriation beyond a portion of the future increment. In view of these facts one may question the justification for Mr. Garrison's statement that the Lloyd George budget recognizes the principle of the Single Tax. Neither the increment tax nor any other part of that budget is a recognition of the principle that land should

not be held privately, and that is the principle of the Single Tax as advocated by Henry George. Rather, as Professor Seligman has said, the Lloyd George budget is not to be regarded as a triumph for the Single-Taxers. It accepts indeed a small part of the single-tax reasoning, but it refuses to be bound by its narrow limitations.

What the British increment tax does recognize is the rightfulness of the appropriation of future unearned increments, and both the practicability and the expediency of the appropriation in a limited way, to the end that the evils of private property in land be ameliorated. And to bringing about the use of the taxing machinery for the accomplishment of this social project, the Single-Taxers have contributed largely.

They have contributed largely also to bringing about the third of the three things confounded, the fiscal project of increasing the taxation of land-values. They have done this in two ways: by helping to overcome the prejudices and inertia that have supported our all but universal general-property tax, and by helping to establish the principle on which the increased taxation of land-values rests.

The general-property tax, of which it has been said that "a cruder instrumentality of taxation has rarely been devised," has been under attack in this country ever since the notable report made in 1871 by David A. Wells as New York Tax Commissioner. During that period there has come to be quite general acceptance by authorities in fiscal science of the ability criterion: acceptance, that is, of the principle that taxes should be levied proportionately to the ability to pay them. Tested by this criterion, the general-property tax is condemned both as to its theory and as to its administration. It is condemned because its theory takes no account of earning ability which in turn obviously measures tax-paying ability. Its theory takes no account of the industrial captain's earning ability, but takes full account of the teamster's mule. It is condemned because its administration "sins against the cardinal rules of uniformity and universality," and because it stimulates the iniquities of tax-dodging.

With the abandonment or modification of this discredited general-property tax, that is, of its personalty and land-improvement elements, there should undoubtedly come, as the Single-

Taxers urge, increased taxation of land-values. Such taxation rests on the principle that a tax on the monopoly element of the tax-payer's income, that part of his income which has been paid to him for a monopoly appropriated by him, is to be preferred to a tax on the competitive element of his income. A tax on the monopoly element cannot be shifted; its incidence can be reckoned on; whereas the final incidence of taxes on the competitive element, and the total of their injustice, cannot be reckoned on. Furthermore, a tax on the monopoly element costs the community less, in that it does not interfere with the free action of capital and the increase of the general fund from which taxes must be paid and the community maintained.

In so far as this principle of taxing the monopoly element has been accepted, progress has been made toward the increased taxation of land-values because of all monopolies the most important is land. But the railroads, the street railways, the water-works, the ability to labor more effectively than wage-earners who gain a bare subsistence—these too are monopolies. And the single tax toward which the Single-Taxers have been helping is really a single tax not on land but on monopoly, of which, as I have said, land is the most important part.

It is under this third head, the taxation of land-values, not under the head either of the abolition of private property in land or of the appropriation of unearned increment, that the taxes cited by Mr. Garrison as evidence of single-tax progress in Australia, Western Canada, Pennsylvania, should be assembled. They are evidence of the progress, not of Henry George's social project or of Mill's, but of a movement toward better fiscal legislation, toward taxation more regardful of social considerations; and in this movement the Single-Taxers, so-called,—but in large measure inappropriately so-called,—are helping importantly.

AFFIRMATIVE DISCUSSION

Arena. 24: 645-8. December, 1900.

Land Question and Economic Progress. Bolton Hall.

Q. Mr. Hall, as one who has made a study of the single tax, do you believe that it would prove an efficient remedy for reducing uninvited poverty to a minimum?

A. Henry George says that, by taking the rental value of land for the public, "the great cause of the present unequal distribution of wealth would be destroyed, and that one-sided competition would cease which now deprives men who possess nothing but power to labor of the benefits of advancing civilization, and forces wages to a minimum, no matter what the increase of wealth, Labor [each man for himself, or oftener in combinations], free to the natural elements of production, would no longer be incapable of employing itself, and competition, acting as fully and freely between employers as between employed, would carry wages up to what is truly their natural rate—the full value of the produce of labor—and keep them there."

Q. What do you think of the influence that it would have ethically on society?

A. Ethical progress must be the progress of the race. The progress of the race needs opportunity for development, and the first requirement for this is the use of the resources of Nature. Denial of this use perverts our whole social system, and all share in the perversion, which makes fellowship impossible: since we are all either receivers of rent of land—that is, thieves—or payers of rent of land—that is, abettors of thieves. Equal use of the land would enable us to live for one another instead of *on* one another.

Q. What do you think in regard to the contention that the taxation of land values only would favor the accumulation of

wealth on the part of those who hold bonded securities and prove oppressive to the land holders or owners?

A. We think that justice would "favor the accumulation of one's own wealth," if any one cared to accumulate what he could get at will. "'Bondholders,' however," says Louis F. Post, "are, in the main, themselves the landowners; for a bond is usually the first title to some interest in land, such as a railroad franchise. It could not, therefore, both favor and oppress them. Further, it could not be oppressive to landowners—that is, to owners of a special privilege—to charge them the value of what they get, even though it would prevent their accumulation of other people's wealth."

Q. Why do you believe it is a fundamental remedy?

A. As is said in "Things as They Are": "The reform, then, of our present land 'system' is not the end of reforms nor the sum of reforms. It is, as its great teacher has said, the gateway of reform. More than that, it is the one reform without which all others will be self-destructive, because they tend to increase either population or production, and thereby to increase rent, and so to foster every form of monopoly."

Q. Many farmers oppose the single tax, as they think it would be oppressive to them. In other words, they hold that their land would be more heavily taxed than all these taxes put together amount to at present, while the holder of bank stock and other securities would be practically exempt from taxation. Do you think their position is well taken?

A. When it is remembered that some land in cities is worth twelve millions of dollars an acre; that a small building lot in the business center of even a small village is worth more than a whole field of the best farming land in the neighborhood; that a few acres of coal or iron is worth more than great groups of farms; that the right of way of a railroad company through a thickly-settled district or between important points is worth more than its rolling stock; that the value of workingmen's cottages in the suburbs is trifling in comparison with the value of city residence sites—the absurdity, if not the dishonesty, of the plea that the single tax would discriminate against farmers and small home owners and in favor of the rich is evident. The bad faith of this plea is emphasized when we consider that under existing systems of taxation the farmer and the

poor home owner are compelled to pay in taxes on improvements, food, clothing, and other objects of consumption much more than the full annual value of their bare land.

World's Work. 21: 13795-6. December, 1910.

Way Toward The Model City. Frederic C. Howe.

Germany has set the pace in city-building, as in many other reforms. It is the only country in the world that has treated the subject as a science. Germany designs its cities as the World's Fairs at Chicago or St. Louis were designed by landscape artists and architects. They are planned from the bottom up. And the thing in most striking contrast with our own cities is the power which the German municipality enjoys over the land within its limits. During the summer of 1909 I visited a number of the leading cities of Germany and found that many officials insisted, with no feeling of apology, that the city must own all of the land within its limits. Only by ownership, it was said, could the housing problem be solved; only in this way could parks, streets, boulevards, and planning projects be carried out and industrial development be made to harmonize with the ideals of what these experts felt that the modern city could be made. In pursuance of this policy the German city approaches the land question in three ways, all of which are novel. First, by ownership. A surprising number of cities own not only parks and open spaces, but great wooded estates outside of the city, which are used for pleasure as well as for profit. They are worked as forest preserves. A large part of the building area within the city is owned as well. Some idea of the holdings of the cities can be got from the accompanying diagrams.

Some cities are also active speculators in city and suburban land. They make a business of buying and selling for profit. Düsseldorf, for instance, a city of 300,000, has set side a fund of \$5,500,000 for the purpose of land-speculation.

The city controls the land-owner and land-speculator in yet another way. Only a part of the site may be built upon. The percentage differs according to the section of the city. In the business centres the owner may use as much as 60 per

cent.; in the outskirts, only 35 per cent. Buildings, too, are limited in height, the usual provision being that they shall not exceed the width of the street. Similar restraints are imposed on factory owners, who are confined to certain sections of the outlying territory, usually to that side of the town which is away from the prevailing winds. Thus the land-speculator, owner, builder, and manufacturer are compelled to use their land so that it will not be offensive to neighboring owners or in any way prejudicial to the harmonious planning of the city as laid out by the city council. The city and the comfort of its citizens are the primary considerations.

The German Tax on Land-Values

The third contribution which Germany has made to the subject of city planning—and a contribution which has swept over Europe into Great Britain, Austria, Belgium, and Switzerland—is a system of local taxation which discourages the land-speculator and gives to the city a new and constantly-increasing revenue. Autocratic Germany, ruled as it is by the reactionary three-class system of voting, which places the cities in the hands of the large tax-payers, is the last country in the world where we should expect the teachings of Henry George to take root and be applied. And the Germans deny that they have adopted the single-tax idea in taxing the “unearned increment,” just as they deny that there is anything socialistic in the state-ownership of mines and railroads or the city-ownership of docks, street railways, gas, and many kinds of enterprises which in this country are in private hands. Still Germany does tax the “unearned increment” of land.

“Of course we do not like to pay any more taxes,” a prominent manufacturer in one of the German cities said to me; “but we cannot very well object to the taxation of increasing land-values, for of course the city creates them; they would not exist were it not for the people and the industry; they do not really belong to the owners, and in all justice the city ought to take at least a part of what it has created.” Under the new tax the land is appraised every fifteen or twenty years, and any increase in value is subject to a tax. In case of sale the profits realized are subject to the same sort of taxation. The seller is compelled to give up a portion of the gains which have

been created by the growth of the city, the opening of new territory, the development of transit to the suburbs, or any of the thousand influences which add to the value of city land. Unimproved land is taxed more heavily than that which is improved, while the percentage taken by the city increases with the profit realized by the owner. It ranges from 1 to 33 per cent. of the net profits.

This experiment, which had its beginning in Frankfort less than ten years ago, has spread to nearly all of the cities of Germany. It inspired the budget of Great Britain in 1909, which the great land-owners in the House of Lords rejected. And it is of especial interest to America, where every innovation in taxation is viewed with suspicion, because the German city is administered by experts, by men trained in the universities and in the technical schools and by years of experience in city matters; and the officials are chosen, not by a democratic ballot, but by the business men and the large tax-payers who (under the Prussian three-class system of voting) are absolutely in control of the politics of the cities. Moreover, we have the best sort of machinery for applying the German system, for we already levy a large part of our taxes upon land; and, as we revalue our real estate periodically (often every year), we can easily ascertain the increase in values with accuracy.

Land-Taxation and City-Planning.

What has the taxation of land-values to do with city-planning and the housing question? How will it promote the city beautiful or aid in the realization of the ambitious plans which our cities are beginning to project? Has municipal taxation anything to do with the price of land? Can taxation be adjusted to promote a social policy as well as defray the increasing needs of the community?

I spent some years as secretary of the Tax Conference of Pennsylvania and recently served on the Board of Real-Estate Appraisers of the city of Cleveland, Ohio. And I have become convinced that the taxation of land-values is not only just but it is the easiest and most fundamental of all means for the cure of the housing question and the proper building and planning of cities. By the taxation of land-values I mean the taxation of the site or speculative value in land, and not land itself. In

other words, that all of the local revenues should be taken from ground or land rents, just as is now commonly done by private individuals under the ground-rent system which prevails universally in Baltimore and in the business centres of our large cities. This would be brought about by a very simple law which exempted houses, buildings, improvements and personal property from taxation. Then local taxes would fall automatically on the land alone.

There is no difficulty about ascertaining the real value of land, as was for a long time assumed. As a matter of fact, it is the easiest thing in the world to do. New York City has since 1903 separated its valuations of land and improvements. Boston has done the same thing for a much longer period. The tax board of Cleveland perfected an organization, trained its experts, and completed the assessments of all land as well as all the buildings within the city in six months' time; and did it more justly, more easily, and more economically than I thought possible. And the land valuation was made with the minimum of complaint and protest. It met with almost universal approval.

Is this suggestion just? Is it fair to tax only one kind of property—land? I fancy the apparent injustice of the proposal delays this reform more than any other cause. And yet the taxation of land-values alone is the most just of all systems of taxation. It is merely taking that which has been created by society. The 4,000 million dollars of land-values in New York City, equal to two-thirds of the cost of the Civil War, is due to the growth and development of the city. It was not created by the thrift, enterprise, or ability of the owners, or by any service which they render to society. So far as they are concerned, the colossal value is an unearned increment. It is due wholly to the growth of population and the progress of society. And the tax suggested involves merely the taking by the community of that which the community has created.

No Other City Revenue Required

Is such a tax adequate? Can we abandon all other forms of revenue? As a matter of fact the ground-rents (not including building-rents) of our cities are colossal. They far exceed every possible need of the most extravagant community. They

would more than pay all of the local needs. In New York City, the real estate is valued every year. During the four years from 1904 to 1908 the value of the land, exclusive of improvements, increased from \$3,057,161,290 to \$3,843,165,597. In four years' time the speculative increase alone amounted to \$786,004,307, or nearly \$200,000,000 a year. The increase is fairly normal from year to year and reflects the birth-rate and the growth of population. During these four years the total expenditures of the city amounted to about \$160,000,000 a year, or \$40,000,000 less than the speculative increase in the value of the land.

With perfect safety New York could declare: "We will levy no taxes on real estate or personal property in 1911; we will abandon all revenues from licenses, from the excise taxes and all other form of revenue, and will content ourselves with the increase in value which takes place in the land. From this source, which is our creation, we will run the city and relieve all property and business from taxation." Under such a proposal, which would take not a penny of anything which exists to-day, the city could be operated and in addition enjoy a surplus which would build a subway every year equal to the first one constructed from the Battery to Harlem, and at no cost to the people of the city. The German statisticians estimate that land-values in a growing city increase at the rate of about 4 per cent. a year, which would be somewhat less than the increase above indicated.

New York City is not exceptional. Similar investigations and assessments in Boston, Washington, San Francisco, and elsewhere show that the speculative increase in the value of the land amounts to more than the annual expenditures of these cities.

But even were land-values stationary, the present ground-rents far exceed the city's needs. In New York the land-rent (not including building-rents) enjoyed by ground landlords amounts to approximately \$200,000,000 a year. This is arrived at by assuming that the total assessed value of \$3,843,165,597 has this value by reason of a fair return in interest, which, figured at 5 per cent., amounts to \$192,158,279. This, too, is after the city has taken in taxation at least \$50,000,000 from these total rentals; so that the total fund available for taxation is approxi-

mately \$250,000,000, or nearly \$100,000,000 more than the present local budget.

Were the city to abandon all other forms and sources of revenue and tax only land-values, the distribution of ground-rent would be as follows: Total ground- or land-rent of city (including taxes), \$250,000,000. Total taxes taken from rent, \$160,000,000. Total income left to owners, \$90,000,000.

Let us see what would follow from exempting houses and buildings from taxation and an increase in the rate on land. How would it affect the building of cities and the housing of the people? What are the social and industrial consequences of such a taxing policy?

Penalizing Industrious Owners

France levies a tax on windows. As one travels through French villages he sees the windows of the peasant sealed up with cement. The people live in darkness in order to escape a tax. During the eighteenth century a chimney-tax was imposed in Ireland. The Irish tenant met the tax by tearing down his chimneys. He preferred to live in the dirt and smoke of a chimney-less cabin rather than be taxed. The tax destroyed the thing taxed, just as it always tends to do.

Economists all protest against these medieval taxes. They smile at the short-sightedness of the French statesmen. Are we in America any wiser than the French in our methods of local taxation? They are probably just as honest in their approval of the window-taxes as we are in our admiration of the tax on houses and improvements which discourages, fines, and punishes him who builds a house, or improves his estate, or erects a model tenement, or conforms to the sanitary regulations of our cities. For do we not tax the man who builds a beautiful building more heavily than him who builds an ugly one? Do we not punish with a fine him who erects a model tenement, and thereby encourage the lazy owner who is content with his slum? Do we not penalize the farmer or the workman who paints his house, or adorns his dwelling with things of art and beauty, or employs an architect instead of a contractor? Do not our laws in effect applaud the man who leaves his property and his land as disreputable as possible? Do we not say to the farmer: if you put your land in market gardening we will assess you

\$500 an acre, but if you let it grow up in weeds we will assess you but \$50 an acre? At least that is the way it appears to every tax-payer, be he great or small. It consciously or unconsciously affects his mind in every contemplated improvement. These are the arguments that are advanced to village and township-assessors by farmers and home-owners who resent instinctively the injustice of being taxed because they do a thing for which they know they should be applauded. Further than this, we encourage men to hold land idle. We discourage improvements. This is clearly the result of taxing houses, buildings, crops, machinery, and personal property.

Build a Fire Behind the Speculator

Now let us see what would happen to the idle land-speculator, to the man who does nothing with his land in the city or in the suburbs, as well as to the energetic farmer who wants to own as beautiful a house as possible, to the man who erects a fine apartment or a model tenement, to the man who installs new plumbing and complies with all the tenement regulations—if we were to reverse our present system and repeal all taxes on improvements and houses. We should then give legal encouragement to the things that we most want: to buildings, to houses and factories, to model tenements, to truck gardening, to art, architecture, and beauty. We should encourage industry and cheapen the prices of things in the stores as well as the rents in the cities. We should stamp with public approval the man who contributes to the well-being of humanity, rather than penalize him for his industry. We should encourage the man who produces wealth. These surely are the results which would follow from ceasing to tax the things that we most want, just as the taxation of windows and chimneys led to their disuse.

To Bring Idle Land to Market

But I have not yet touched on the greatest of all benefits which would follow city-planning, the building of cities, and the housing question—and that benefit is the cheapening of land. It would do this in two ways. First, the taxation of land forces it into use; it brings it to the market. And this is an unmixed blessing. We should feel that it is a crime for men to produce bread or clothes or shoes and hold them merely for speculation.

And yet the speculative holding of land is even more costly to society than the withholding of these necessities of life. For, given the land, we can produce wealth; and the forcing of idle land into the market would bring down its price. This is the inevitable result of increasing the supply of any commodity. It has been estimated that at least half of the land in every large city is held out of use all the time by speculators.

The second influence that cheapens land-values is the reduction of the rent or income which it produces. For a tax on land-values is paid by the landlord; it is taken from ground-rent. The landlord cannot shift it on to some one else as he can a tax on houses or on any other wealth produced under competition. I need hardly verify this from authorities, yet an appreciation of this fact is so fundamental to an understanding of the effects which would follow, that I quote two leading economists on the subject. Ricardo, the great English political economist, says:

A tax on rent would affect rent only; it would fall wholly on landlords, and could not be shifted to any class of consumers. The landlord could not raise rent.

John Stuart Mill confirms this statement. He says:

A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon any one else. A tax on rent, therefore, has no effect other than the obvious one. It merely takes so much from the landlord and transfers it to the state.

Let us make the statement concrete. If a man is getting \$50 a year ground-rent from a piece of land, the land is worth the capitalized value of the ground-rent, or \$1,000. Now if the state increases the tax and takes \$20 of this ground-rent, the landlord's income will fall to \$30, which (capitalized as before) makes the land worth \$600. If the tax is still further increased to 4 per cent., the capital value of the land is reduced to \$200; and if the tax is increased to 5 per cent., the capital value of the land disappears altogether, for all of its earnings have been taken in taxes. In other words, ground-rent is the income that is left after taxes are deducted. If taxes are increased, rent is decreased. If taxes are diminished, rent is increased. The landlord and the state are really partners in the ownership of the land.

The Land-Owner Pays the Tax

It may be said that the landlord will meet any increase in taxes by an increase in rent, just as the taxes on sugar, clothes, or any other commodity are shifted to the final consumer. But this he cannot do, as experience has demonstrated. The land-tax remains where it is originally placed. Certainly, so far as vacant land is concerned, there is no one but the landlord to pay the taxes. He could only shift the tax by leasing the land to some one to use; and if all the land were thus brought into use, the competition of sellers and users would be such that this of itself would bring down the price of land, just as it does the price of everything else.

It is this cheapening of land-values that is so important in the solution of the housing question or the planning of cities. This, with the stimulus to use the land, would bring about a revolution in city-building that would surpass all of the regulatory measures and all of the health and sanitary inspection that can be devised. There is no reason why the building of homes should not inspire the same sort of ingenuity, skill, and scientific enthusiasm that is awakened by the building of automobiles. And such skill would be awakened were the land-owner subjected to the same sort of pressure that drives the manufacturer and the business man. This the taxation of land will bring about. And if the owner of land were compelled to build houses, and were those houses relieved from taxation, there would arise a competition for tenants that would of itself solve the housing problem. Then owners would introduce beauty and the latest sanitary devices from necessity rather than from legal compulsion. The builders would be moved by self-interest to devise attractive homes rather than warehouses for human beings. Home-building is a backward industry. It has not begun to keep pace with other things. In all essentials we build houses much as we did fifty years ago. The reason is that population is always outrunning the supply of houses. Almost anything can be rented in our cities, no matter how cheap, tawdry, or un-homelike it may be.

This I think is verified by New York City. No city in the world approaches the American metropolis in the convenience, attractiveness, and splendor of the office-buildings and apart-

ment-houses, or the wonderful ingenuity of the hotels. Buildings begin to be antiquated almost as soon as they are completed. Twenty years' time sees a great reduction in their rent, or brings about their demolition. This is not due to the high price of land. If that were the cause, London would surpass New York in splendor, and Chicago would vie with it. It is due to the honest valuation of land and the high tax imposed upon it. And if we carried the tax still higher, if we doubled the existing rate, landlords would be compelled to enter a race for tenants just as automobile manufacturers now race for purchasers. House and apartment building and the housing question would be subject to the same laws of competition that govern other businesses.

This cheapening of land, which can be carried to any extent by taxation, would make city building easy. It would enable parks, boulevards, and docks to be acquired and developed; it would permit the location of public buildings and the opening up of open spaces and playgrounds. Public buildings could be grouped so as to secure the maximum of architectural effect, while suburbs could be laid out in a generous and beautiful manner. There is no reason why the cities of the future should not be garden cities—just such garden cities as Washington, Düsseldorf, Frankfurt, and a dozen cities in Europe—just such garden cities as have been planned by philanthropists and business men. The only obstacle is the prohibitive price of city land.

The great advantage of the reform suggested lies in the fact that it is automatic. An ounce of taxation will do more to clean up a slum than a score of sanitary policemen. Self-interest is the moving force in all other business. Why should it not be made operative on the land-owner? He has no vested right to be made rich by the growth of the community. Nor has he any vested right to hold land out of use, to block the orderly development of the city, and at the same time make the price of all other land so high that the rents of the whole community are forced up in consequence. For that is what happens. It is the withholding of land from use that explains the high rents of our cities; it is this that lies at the root of the housing problem; it is this that is responsible for the high cost of living—for only a fraction (and a very small fraction) of the land in America is used. And yet it is all owned. And I have never met a land-owner who did not feel that his land was worth from 50 to 100

per cent more than it would really produce. Try to buy farming land within twenty miles of any large city and see the prices which are asked. Study the metropolitan values asked for business sites in the Western cities.

The cities of Australasia as well as those of northwest Canada have already recognized the justice as well as the expediency of exempting improvements from local taxation. Nearly a hundred communities in Australasia have abolished the house and improvement-tax, while within the last few years quite a number of the new cities in western Canada have, by municipal action, done the same thing. The inspiration of this action was in each case the same. It was the desire to check land-speculation and to encourage building. And the testimony of all these experiments is to the same effect. Officials, business men, and ordinary citizens unite in admitting that the burden of taxation has tended to the breaking-up of great estates; it has led to an encouragement to building that was unprecedented, and has stimulated not only the building of homes but their ownership as well.

Congressional Record. 48: 13196. August 29, 1912.

Mr. Bulkley said:

Mr. Speaker: In view of the general interest now being manifested in the subject of taxation throughout the country, I desire to take advantage of the privilege of extending my remarks by submitting for the *Record* an extract from a speech by a former Member of this House, the late Hon. Tom L. Johnson, at a gathering of farmers near Akron, Ohio, August 29, 1905, when he was the Democratic candidate for governor of Ohio.

After speaking on the issues in state and county for some half hour Mr. Johnson, as was his custom, called for questions. A venerable gentleman, with long white whiskers, arose and said: "Mr. Speaker, I have a suspicion from what I have read in the papers, that you desire to place all taxes on land. Is this correct?" Some one else in the audience then called out: "Tell us about the Single Tax." Replying to the elderly man Mr. Johnson said: "Most emphatically, no." He paused for a moment, then continuing, said:

"But if you mean that I have a desire to place all taxes on

land values, I answer most decidedly, 'Yes.' If you want to hear about the Single Tax, I will stay with you and let my tent meeting in the city wait, while I say that if it were not for this idea, called Single Tax, I would not be here to-night. This is the reason that I am what I am and making the fight which we are now in. A tax on land would be an unjust and iniquitous system, but a tax on land values would be the best and fairest system that the world has ever known. Laws which would bring about the taxation of land values would be of more service to humanity than any legislation ever yet enacted. Farmers are large owners of land, but not of land values. We have land in our city that sells at the rate of \$5,000,000 per acre. Have any of your farmers lands as valuable as that? In New York city there is land that sells for \$15,000,000 per acre. Is there any land in this neighborhood at that price?

"To answer my friend's question I will relate a little talk I had one day with Congressman Pierson, of Tuscarawas County, when we were in Washington together. Pierson was a farmer and said to me one day: 'Tom I can not go your Single Tax; it would be a hardship on the farmers, and they already have more than their share of the burden of taxation.'

"I said: 'Look here, Pierson, if I thought the Single Tax would increase the farmers' burden I would not stand for it for one minute. In fact, if I did not know it would be the greatest blessing to the farmers and to the workingmen in the city as well, I never would advocate it again. I can show you that the Single Tax will lighten the farmers' burden as compared with the present method. Let me ask you some questions to see if we can get at the facts in the matter. How much, Mr. Pierson, of the present tax burden do you think the farmers bear?' 'Well,' he answered, 'the farmers constitute over half the population of the United States, and I should say that they pay at least 60 per cent of all taxes.' 'Very well, let's call it 50 per cent to be safe.' 'No, no,' said Pierson, 'that's too low. They pay more than 60 per cent, rather than less.' 'All right; but to be safe, let's call it 50 per cent.'

"Now, Mr. Pierson, I want you to tell me how much of the value of land the farmers have in the United States? Please take into consideration all the valuable coal lands, the iron, silver, gold, copper, and other valuable mines; the water privileges, the

railroads, and their rights of way and terminals, including street railroads, telephones, and telegraphs, for these are built on the most valuable lands; all the gas and electric lighting rights of way built on land of great value; all the city lots, some of which are worth more than a whole county of farming land. I want you to take all these into consideration and then tell me how much of these values in the United States the farmers have.'

"Mr. Pierson replied, 'Well, I should say less than 5 per cent.' I said, 'Call it 10 per cent to be safe.' 'Oh, no, no; that's entirely too high; that's double.' 'Well, we will call it 10 per cent, anyway. Now, don't you see that if the farmers are paying 50 per cent, that if all the taxes were raised by a Single Tax on land values the farmers, since they have but 10 per cent of these values—you say 5 per cent—would pay less; that their taxes would be reduced five times? That instead of paying one-half, as now, they would under that plan pay but one-tenth?"

"I declare, Tom, I never looked at it in that light, and I guess you have got me.'

"So, I say to the farmers here tonight, that this Single Tax, of which I am proud to be an advocate, would be to the overburdened farmers and workingmen the greatest boon, the greatest blessing, the greatest godsend that any country ever knew. I wish you good night."

Arena. 10:52-8. June, 1894.

Single Tax in Actual Application. Hamlin Garland.

A theory that is morally and logically right will work in practice, but at the same time a practical example of the working out of the principle involved is valuable. The single-tax men seem to have such an exemplification in the case of New Zealand, where an effort has been put forth to discourage land speculation by means of a land tax. It is not precisely the Single Tax—probably the single-tax men will consider that its greatest fault—but its work of checking land speculation and breaking up the large estates is admitted.

I have before me the advance sheets of the Consular Reports from the Bureau of Statistics in Washington, wherein Mr. John D. Connolly, consul to New Zealand, gives his report. It is so

valuable just now when the question of the Single Tax is being strongly advocated that I quote quite fully from it. Mr. Connolly begins by saying:—

Land Taxation in New Zealand

In the matter of taxation laws New Zealand excels as compared with the other Australasian colonies, and perhaps with many older countries. Here, at least, legislation has been introduced that has been most violently assailed as being experimental, socialistic, confiscatory and impracticable. But regardless of this terrible arraignment, the taxation laws have been fully and successfully established and given practical effect, even while other countries were theorizing on the same principles. . . .

It is true there were many who, through the public press, in the halls of legislation, and on the highways and byways of the country, proclaimed their belief that the changes in the incidence of taxation would surely involve the country in financial ruin; but subsequent events conclusively demonstrated how ill-founded were their apprehensions. The most determined opposition to the "new taxation" came from the moneyed institutions, loan companies, and the owners of vast landed estates. It was found, however, as soon as the new system became law and was thoroughly established and fully understood, that, instead of involving the colony in ruin, it had exactly the contrary effect. The credit of the colony in London (which is, of course, the centre of financial operations so far as the colonies are concerned) increased to an unprecedented degree. New Zealand's credit is better to-day on the London money market than is that of any other colony of Australasia.

As will be seen above the opposition came from the moneyed classes and from land speculators in the colony; they had no doubt about the effect of the tax. A synopsis of the system is given here.

Up to 1891 a land and personal-property tax was imposed; but during the years of depression the colonists generally complained of the personal-property tax as being a grievous burden. One of the first acts of the new government was to abolish the "property tax" and substitute an "improvement tax." All improvements on land up to \$15,000 were exempt, but all improvements above that amount were taxed.

The deduction of mortgages and of improvements up to a value of \$15,000 renders very many owners exempt from land tax, the total number of land-tax payers in 1891 being 12,557 out of a total of 91,501 owners of land in the colony. It will be borne in mind that there is an exemption of \$2,500, so that no man pays any taxes for state purposes until his property is worth over the above amount. The special exemption just referred to reduces the number of taxpayers. An owner whose land and mortgages, after the deduction of mortgages owing by him and of improvements up to the value of \$15,000, do not exceed \$7,500 is allowed a deduction by way of exemption of \$2,500 (already mentioned), and this

amount gradually diminishes until it disappears altogether when an owner's assessed value, less reductions, reaches \$12,500.

In addition to the ordinary land tax, a graduated tax is levied, and for this all improvements are deducted; but an owner is not allowed to make any deductions for mortgages owing by him, and he has not to include in his return any mortgages owing to him. This tax is not imposed on any owner the value of whose land, less the improvements thereon, does not exceed \$25,000, and the lowest rate imposed is one-eighth of a penny in the pound. The rate gradually rises until it reaches twopence in the pound on the improved value of lands up to \$1,050,000 or more.

This tax, it will at once be seen, is an approach to the Single Tax advocated by Mr. Henry George. In general principle it is the same; that is to say, it makes it difficult to hold land out of use and makes improvement easy by exempting it from tax up to the limit of \$15,000.

The most interesting and valuable part of the report shows that the present tax has come along these years of experiment exactly in line of Mr. George's plan:—

In 1891, as already mentioned, the property tax was abolished and a tax on improvements substituted. In 1892 the tax act was so amended as to exempt all improvements under £3,000 in value, and in 1893 improvements of every kind were exempted and an income tax introduced instead. By the abolition of the tax on improvements a loss to the revenue of the country was sustained equal to about £37,000, but this loss will be compensated for in some degree by the scale of graduated tax having been increased.

Thus in three years the entire system of taxation has been almost completely changed, and, it is gratifying to say, with the most beneficial effect. Each change made was in the direction of relieving those who were least able to pay and making those to whom the additional burden of taxation would make no material difference contribute (what they had not hitherto done) a fair share of the revenue required in proportion to their means.

Let the reader note whence the opposition came. Mr. Connolly goes on to say:—

It was persistently alleged by the banking and moneyed institutions generally, and also the large land owners, that the radical changes made in the incidence of taxation would result in such a serious loss to the revenue of the country that borrowing must again be resorted to immediately to defray the expenses of the government, but the results have proven they are not prophets.

The common people, however, having felt the good effects of this system, returned the promoters of it to power with *the largest majority ever given a government in New Zealand*. The

significance of this is that they have discovered the barrier to progress, landlordism, and propose to abolish it.

In addition to this land tax with its exemptions, they have also a graduated land tax and an income tax. The income tax is not satisfactory thus far, but of the graduated land tax Mr. Connolly says:—

Graduated Land Tax

There is what is known as a graduated land tax, in addition to the ordinary tax of the same kind, on land values over £5,000 (\$25,000) in round figures. The object of imposing this additional tax is to compel those possessed of large estates and who are holding them for speculative purposes to either subdivide or offer such lands for *bona fide* settlement.

Under the circumstances, the justice and wisdom of this act are quite apparent when it is remembered that 1,766 owners hold from 1,000 to 10,000 acres each, 232 owners hold from 10,000 to 50,000 acres each, and thirty owners hold over 50,000 acres each.

The improved value of land held by fourteen land owners amounts to \$27,690,245, while six owners hold land the improved value of which is \$12,813,900. The total value of unimproved land held in large areas—say from 5,000 acres upwards—in 1892 amounted to the vast sum of \$272,360,875. Thirty-two companies, such as banks, land and loan companies, insurance and mortgage societies, own 1,321,036 acres; the improved value of which is given by the commissioner of taxes at \$12,916,405; and the unimproved value is by the same authority said to be equal to \$9,467,690. From the foregoing figures, it will be observed that it has become necessary to take some steps to prevent the further accumulation of vast estates and the withholding of them from settlement and development. *Though the graduated tax is not regarded as being too burdensome, yet it is to a large extent having the desired effect. Many of the immense estates are being freely offered to the government at their taxable value, while some are being cut up in suitable farms and offered at public auction.*

In order to discourage absentee landlordism the reformers in New Zealand have imposed an extra burden of twenty per cent additional tax upon those who have been absent three years. This however is only a quibble. All landlordism should be made unprofitable, absentee or resident.

With regard to the Single Tax itself, Mr. Connolly goes on to remark:—

The Single Tax

That there is very little difference between the present land tax and the Single Tax as proposed by the Single Taxers, as they are called here in New Zealand, is easily shown. The principal points of difference may be briefly explained. The Single Tax would be levied at a uniform rate

and without exemption upon all properties, irrespective of size. The mortgagee would be treated in precisely the same manner as the owner, i. e., it would consider him as being part owner of the improvements, as well as of the land. There would be no absentee tax; all land owners would be treated alike. The £500 exemption, the absentee and graduated tax (exclusive of the income tax) are the only diverging features as between the Single Tax and the present land tax.

Mr. Connolly a few years ago bitterly opposed the Single Tax. He seems now to understand very thoroughly the arguments of the single-tax men and comes very near to agreement. [*Apparently* the American farmer is a land owner. As a matter of fact he is a renter or wage-earner. He has very little land value to tax, and as under the Single Tax all his improvements would be exempt and all indirect taxation abolished he would be one of the greatest gainers. He is now quite landless. He owns under mortgage or he rents. These conditions existed in New Zealand but are being changed by the tax on land values.]

At the same time it is worth the while of the Single Tax men to consider the matter of an exemption in connection with the introduction of the Single Tax among the American farmers. It would need to be a small exemption, say \$750 or \$1,000. In some states it could be \$1,000. The case would then stand. The farmer would pay no taxes on his improvements, and no taxes on his land values until those values rose above \$1,000. Let him also remember that *improvement value* is exempt; it is merely site value which must exceed the thousand-dollar limit.

Personally I feel certain that an exemption is not needed, because on the majority of farms in *bona fide* farming districts the improvements exceed the site value of the land, and the farmer having his stock, tools and buildings exempt would at once pay less taxes than now. In cases where the land value exceeded improvements, the exemption of improvements from taxation would make improvement easier, and the decreased price of lumber, coal, iron and other commodities which would be released from monopoly would also aid in making improvement easy. [In short the man who feels the New Zealand tax, and the man who would feel the effects of the Single Tax, is the man who is living by rents, or by interest, which is only rent in another form. In other words the man who earns his living will find his burden lightened, while the man who lives in the sweat of his neighbor's face will find that power cut down.]

In the case of New Zealand another point is of special value. Mr. Connolly says:—

The number of taxpayers has decreased under the land and income tax by nine thousand twenty-eight, while the revenue has increased \$100,000. It is to the absentee and graduated tax that the increase may be attributed.

This is to say the poor have been released from tax and the monopolist has been made to shoulder part of the load. Observe that this would not have happened if the tax had been placed upon the *improvements* of the wealthy, for if placed upon anything whose price could have been raised to cover the tax, the consumer would have paid his original burden and more too, in *indirect taxes*. Being placed upon land values it *decreased the price of land* and brought it into the market, thus making it impossible to shift the tax.

This is a fundamental principle of the Single Tax. It makes land plentier and therefore lower in price, and it cannot be shifted by raising the price of land so long as land is being brought into the market in increasing quantities, for the price of land would fall and not rise.

That the Single Tax would have an instant effect on the wages of working men is also shown by this report, for not only has the colony been steadily prosperous through the hard times of the last year, but it has absorbed without ill effects a constant stream of working men.

The effect of the tax on land values is precisely like that of opening new land to settlement. It brings it out of the speculator's hands into the settler's hands. It passes out of the hands of the monopolist into the hands of the contractor and builder. Speculation employs no labor. The moment speculation surrenders its hold, use begins and prosperity begins. This was proven in New Zealand.

The effect of opening new lands by taxing speculation reacts through all trades. It benefits the shop girl and the mechanic as well as the settler, the gardener or the builder. There is an empire of land out of use right here in our eastern cities and their suburbs. This land can be opened to use in one way and only one way, by making it unprofitable to hold it out of use—that is, by taxing it precisely the same as if it were in use.

This is the fundamental idea of the plan pursued in New Zealand with such fine results, and this is the fundamental principle of the Single Tax. The working farmer has no more cause to fear it than the mechanic. It will lift the burden which they have borne so long upon their bowed shoulders, and it will tax back into the common treasury a value which the whole people creates and which a few monopolists at present enjoy.

Atlantic Monthly. 112: 737-46. December, 1913.

Case for the Single Tax. F. W. Garrison.

Briefly stated, the Single Tax is a method of raising money for the necessary expenses of government by taking the rent, or the annual yield of land-values, alone, abolishing all other forms of taxation, direct or indirect. It may be described as government without taxation, for, if the Georgian contention is true, the rent of land belongs not to the individual who would be required to surrender it, but to the community as a whole.

On what just basis can I claim exclusive right to a part of the limited surface of the earth? "No man made the land," said Mill. "It is the original inheritance of the whole species." No matter how far we delve into the past, we can find no just title to the private ownership of land. A Vermont judge, when asked to return a fugitive slave to the man who claimed ownership, replied, "Show me a bill of sale from the Almighty and I will deliver him." The same reasoning may be applied to land titles with equal force. Blackstone admits that "there is no foundation in nature, or in natural law, why a set of words upon parchment should convey the dominion of land." "Whilst another man has no land," says Emerson, "my title to mine, your title to yours, is at once vitiated." And Herbert Spencer maintains that land-titles all rest on force, fraud, or cunning. When Edward I sent his commission to inquire into the existing judicial franchises in 1278, Earl Warenne flung a rusty sword on the table and cried, "This, Sirs, is my warrant. By the sword our fathers won their lands when they came over with the Conqueror, and by the sword we will keep them."

Man is a land animal, and access to land is essential to human life. If the earth were to be divided among all men living to-day,

in shares of equal value, the next child born would have a just complaint against a bargain which ignored his inherent right to an equal share. Jefferson recognized the force of this argument when he declared that "the earth belongs in usufruct to the living." Land is the universal mother, capable of feeding, clothing, and sheltering all her children, but turned by perverse human laws into an unnatural parent, absurdly indulgent to some of her offspring and merciless to others. Land is the source of all wealth; from it human labor extracts "the sum of all things which tend to satisfy the physical, intellectual, and spiritual needs of mankind"; and being the reservoir of wealth, it must not be confounded with wealth, to which it bears the same relation that the fabled goose bore to its golden eggs. Concede the exclusive use of the land to a part of the human race, and the remainder can live only on the sufferance of the proprietors.

In the early home of the English race the free man was distinguished from the dependent by the ownership of land. But even under feudalism the possession of land was conditioned upon a return of some kind to the sovereign, as representative of the people. Personal property in England was not taxed until 1188, when Henry II levied the Saladin Tithe for a crusade fund. In the law of eminent domain we still acknowledge that the ownership of land should be conditional on the rights of society at large. Speaking in the House of Commons, Cobden described the transition by which the landlord managed to evade his just burdens. "For a period of one hundred and fifty years after the Conquest the whole revenue of the country was derived from the land"; but it was gradually shifted until, by 1845, land contributed but one twenty-fifth. "Thus," he declared, "the land, which anciently paid the whole of taxation, pays now only a fraction . . . notwithstanding the immense increase that has taken place in the value of rentals. The people fared better under the despotic monarchs than when the powers of the State had fallen into the hands of a landed oligarchy, who first exempted themselves from taxation, and next claimed compensation for themselves by a Corn Law for their heavy and peculiar burdens."

In the early days of settlement in the United States, when land was plenty, there was little or no poverty. Despite a lack of capital, subsistence was to be won from the earth, and it was

easy for the laborer, dissatisfied with his wages, to become his own employer. But this happy condition did not last. In 1873 an English observer echoed the warnings of Henry George. He called attention to the fact that the country was "flinging to the winds its splendid patrimony and recklessly selling and allotting to railway companies or land-jobbers what might be the national revenues of the future. What repentance awaits that country," he exclaimed, "for having given to some of the railways grants of 25,600 acres per mile of road, and for assigning to the Northern Pacific Company alone, 58,000,000 acres!" It is estimated that from 250,000,000 to 350,000,000 acres of the public domain have been "granted to the Pacific railways or illegally appropriated by persons and corporations in conspiracy with the agents of the government."

Repentance has been late in coming, but it has taken a secure hold on the country at last, in the conservation movement, which aims to check the prodigal waste of the natural resources of the government. We have awakened to the folly of permitting the alienation of the rich mineral deposits, the valuable forests and water-power sites which still fall within the public domain.

Well may the conservationist ask himself if the bounties of nature were stored during the ages for the special benefit of the Morgans, Rockefellers, and Carnegies, their heirs and assigns. Does their insight and financial genius sufficiently compensate us for the surrender of such a disproportionate share of the common inheritance? And if not, do their princely charitable bequests square the account? When we look about us upon the accumulating misery which the most highly organized charity and the richest endowments have proved themselves powerless to stay, we can but ask ourselves if the doctors have correctly diagnosed the case. Charity is like a drug which, taken habitually, weakens the moral fibre. It warps the judgment of him who gives and him who receives. In the Middle Ages men bought indulgences from the Pope. To-day they buy them from their conscience with a dole to charity. It was the contemplation of such a state of things that led Maeterlinck to ask if, after all, charity were aught but the "insolent flame of permanent injustice."

That whatever a man creates by his own labor belongs exclusively to him, and cannot justly be claimed by any one else,

is regarded by Single-Taxers as a self-evident truth, and by its acceptance they become the champions of property in its true sense, and the implacable foes of privilege. They recognize three factors in the production of wealth: land, labor, and capital (or wealth set apart to aid in the production of more wealth); and between these three factors the product must be divided. The share of land is rent, that of labor, wages, and that of capital, interest. Confusion may arise from failure to make clear the meaning of the term rent. In common parlance no distinction is drawn between the sum paid for the use of land and that paid for the use of factories, houses, machinery, and so forth. The distinction is, however, all-important. The return received in the form of rent from all things created by labor is in reality either wages for the labor expended, or interest on the capital employed, and may be said to be earned. But the rent arising from land, known as economic rent, can be credited to no individual effort and is in fact the measure of social activity. It exists "wherever any particular portion of land affords superior opportunities, or advantages of fertility or situation, over that which is freely open for any one to use."

The flood of humanity which flows and ebbs daily through a great city's thoroughfares gives to those localities exceptional opportunities in the way of trade, and men are willing to pay large sums to do business there. Imagine every building swept away by some catastrophe; so long as the population remained alive, the rental value of the land would persist. In Baltimore and San Francisco, land-values rose after fire had done its worst. It is not due to the genius or industry of the Astors or the house of Bedford that land in the heart of New York and London sells at the rate of \$15,000,000 an acre. From their roots safely imbedded in the soil, they flourish like the lilies of the field, although they toil not. They need do no work nor risk a cent of capital; in other words, they need not contribute in any way to the production of wealth, and yet they have the power to use wealth in excessive abundance.

Greatly concentrated land-values are to be found in railway franchises and exclusive rights of way for telephone, telegraph, pipe-lines, and so forth, in docks, the control of water-power sites, oil, gas, and mineral deposits. The annual mineral output of the United States amounts to \$2,069,289,196 according to the

U. S. Geological Survey for 1908. Frederic C. Howe points out that a royalty of twenty-five per cent on this natural monopoly alone, would yield \$517,322,299, or almost as much as the sum collected through the customs and internal revenue. It is estimated that the ownership and control by the railways of the anthracite coal deposits in Pennsylvania makes it possible to take from the consumer from one to two hundred million dollars a year above a reasonable cost of producing the yearly output. The stupendous income from natural monopoly, now absorbed by private interests, can be easily imagined.

As land-values fluctuate in precise agreement with social development, there are losses as well as gains to be taken into consideration. When Edward I massacred the inhabitants of Berwick, "the greatest merchant city of northern Britain sank from that time into a petty seaport." Every one is familiar with the ups and downs of special localities in our modern cities. But it remains true that, taking a community as a whole, so long as it is developing, and evolving a higher state of civilization, so long will the land continue to yield an increasing rent. We are not here concerned with the landlord as a laborer or capitalist. He may improve his land by building offices or factories upon it, and for their use receive what is commonly called rent, but only that part of the sum which represents desirability of situation is rent in the economic sense.

It may be urged that the returns which the landlord receives in the shape of rent are the reward of skill and foresight in investment, and that great rewards are only fair where the chances of failure are great. And we are often told that if society takes the increase of value on land, it ought to make good the decrease of value which is a kindred phenomenon. Single-Taxers believe that speculation in land is as inexcusable as speculation in air or light would be; and indeed it involves them both. Speculation will cease as soon as the landlord is obliged to turn over to the public treasury the full economic rent, a sum which will vary with the varying fortunes of the locality. At the same time he will reap the full reward of his industry and not be mulcted by taxation as at present. Withholding land from use, in anticipation of increased values, leads to the intolerable trinity of idle land, idle rich, and idle poor.

Every improvement made by a city in comfort or beauty is

reflected in higher rents. "There was a block of traffic in Oxford street," said Arnold Bennett. "To avoid the block people actually began to travel under the cellars and drains, and the result was a rise of rents in Shephrd's Bush!" Every tunnel under the Hudson River, every new bridge, and all added facilities of travel, serve but to increase the revenues of the suburban land-owners and the transportation companies. Indeed land-owners frequently receive damages for public works that increase the value of their property. Fortunately this custom is coming into disrepute as light is let in upon the land question.

Mill gave the name of "unearned increment" to the increase of value which normally accrues to the land in every growing community, as it is not earned by the landlords into whose pockets society permits it to be diverted. Manhattan Island was bought from the Indians for \$28, and the land of New York City is now valued at more than \$3,500,000,000. The phenomenal increase in land-values is daily reported in the columns of the newspapers. Mr. Joseph Fels, an ardent disciple of Henry George, offers a personal, if modest, example. A few years ago he bought eleven and one half acres of land in West Philadelphia for \$37,500. The city moved in that direction and three thousand houses were built in the vicinity. As a result, and without improving his property, Mr. Fels saw its value leap in successive stages to \$125,000. He does not, however, pretend that this growing value is justly his, or due to his skill or foresight. "The unearned increment," he says, "in justice and right, belongs not to me, but to the community. I have done nothing to make that value. My part has been to hold the land out of best use. Yet the profit is mine legally, and I have some consolation from the thought that I intend to expend it in such a way that conditions may be changed, to the end that neither I nor any other man shall have the power to make money out of the work and sweat of others. I shall do my part in this work by devoting money and efforts to disseminating the truth concerning what some of our opponents speak of slightly as "the Single Tax," which some refer to lovingly as the economic philosophy of Henry George, and which I shall call plain justice."

John Moody gives the estimated wealth of the nation in 1907 as about \$120,000,000,000, and figures that about one half is what might be called created wealth. The balance he calls spon-

taneous wealth, or unearned increment. Here we have a social fund upon which no individual has a just claim, and amply sufficient for the needs of government. Why not use it for that purpose and remit the tribute exacted from labor and capital by taxation?

"Why tribute? Why should we pay tribute? If Cæsar can hide the sun from us with a blanket, or put the moon in his pocket, we will pay him tribute for light; else, sirs, no more tribute, pay you now."

What that tribute is becomes apparent whenever we trace the action of our tax laws. Having alienated the fund for government needs which nature provides, other sources of revenue had to be found and taxes levied that would raise the most money with the least outcry. Hence arose the indirect taxation which has found its fullest flower in that luxuriant but poisonous growth—the protective tariff. The Roman taxes were farmed out to syndicates which at least paid the expenses of collection out of their spoils. But the beneficiary of the protective system absorbs his tribute without expense, shifting the heavy burden of collection upon the government, which receives but a small part of the general contribution. And from the amount collected by the government must be deducted the actual cost of custom-houses and a huge force of clerks and spies withdrawn from productive employment, to say nothing of the moral cost of creating an artificial crime and fostering international jealousies.

The well-to-do make a great outcry over double taxation, and rightly, but few concern themselves with the multiple taxation of the poor. For it is upon the poor that the bulk of taxation falls, the rich having ways of shifting a large part of the burden upon those beneath. A tax has been likened to a hot copper which is quickly passed from one hand to another until it reaches the last man in the line, who gets burned. Thomas G. Shearman estimated that "taxes are so arranged as to take from the poorer classes 75 to 80 per cent of their annual earnings while exacting from the rich only 3 to 10 per cent." When Mr. Rockefeller gives \$10,000,000 to Chicago University he is the ostensible donor; the real contributors are the unknown thousands who must pay tribute to Mr. Rockefeller on account of his monopolies as gigantic landlord and tariff beneficiary. "As the laws are to-day," says Lawson Purdy, "no wealthy man, who has legal

advice, need pay any direct taxes on personal property." Those who cannot hide or afford expert service must pay.

Glance at the problems which keep pace with the growth of material prosperity, the familiar picture of concentrated wealth and abject poverty side by side. We cannot see the palaces of the rich without being conscious of the neighboring slums, where human beings live crowded together in miserable hovels, unable even to enjoy the light and air to which no man as yet claims exclusive title, and which are supplied by nature in boundless profusion. What does the slum landlord give his tenants in return for the rent he exacts for squalid buildings in surroundings that breed disease and death? He gives the privilege of occupying a site made valuable by the pressing needs of society, and increased in value artificially by land held idle for speculative gains. But if the social value were reclaimed for public purposes, idle land would be forced into use and the owners of tenements would have to offer better homes. Competition would keep rents within bounds, and laborers, released from taxation, would have more to spend on the decencies and comforts of life. And the landlord, no longer taxed on every improvement, would have some incentive to add to the attractiveness of his property.

If, by taking economic rent for public purposes, we release idle land, and at the same time encourage industry by the removal of taxes, we are respecting the rights of property with scrupulous nicety; and we shall create a demand for labor which will solve the menacing problem of unemployment. The vice and crime which spring from slums as naturally as disease, and are in fact disease, will be checked at their source. Remove from the breasts of the criminals, who prey upon society, the ever-present feeling that society is arrayed against them, and that laws are made and administered for the rich, and who can say what forces of regeneration will spring into action?

Nor is there any other solution than freedom from taxation for the bitter and wasteful struggle between labor and capital. Their needs are in fact the same, for capital has no other office than to facilitate labor in the production of added wealth. The issue is confused because the capitalist is often a monopolist as well. The common enemy of both capital and labor is monopoly, and when it is abolished, each will receive its reward in interest and wages. The increased demand for labor will make wages

higher, and labor unions will be unnecessary; and the fear of deadly competition being removed, the immigration problem will cease to be a problem at all, and workers from other lands will be welcomed to aid in the production of wealth the natural limits of which have never been described.

The abolition of tariffs and the recognition of the right to the use of the earth which all its inhabitants possess, will at last lay the spectre of war, and lead to the abandonment of an armed peace which is only less crushing and brutalizing than war itself. It will be no small gain to be rid of the military class with its "natural drift toward lawlessness and violence." The drones created and maintained by the army and navy establishment and the bureaucracy of tax departments will be freed for productive labor. In fact, there is no social question occupying men's minds and absorbing their energies that will not be modified by the liberation of the land. Political corruption, which usually starts from the headquarters of monopoly, will cease from lack of temptation.

The remedy is not a visionary one. Forty years ago John Macdonell, in his book on the Land Question, said: "We vex the poor with indirect taxes, we squeeze the rich, we ransack heaven and earth to find some new impost palatable or tolerable, and all the time, these hardships going on, neglected or misapplied there have lain at our feet a multitude of resources ample enough for all just common wants, growing as they grow, and so marked out that we may say they form Nature's budget. . . . To no transcendental motives does the project appeal. It demands no miraculous draught of administrative talents or public virtues. It is simple and intelligible. It is nothing but giving the body politic the blood which it has secreted."

It is not uncommon to hear persons who admit the force of the abstract argument declare that private monopoly in land has been sanctioned so long by custom that to abolish it would lead to unwarranted confiscation. They point to the fact that many innocent persons have invested in land at the high prices which a monopoly system creates, and they demand compensation for the vested interest attacked. The same arguments that served in the agitation over slavery are heard again, and England's compensation of slave-owners is held up for our admiration. The fact is that in the case of land monopoly, as in that of

slavery, there are conflicting demands to be settled. Nobody suggested that the slaves be compensated for their loss of wages, and no one today suggests that the people whose substance has flowed so long into the landlord's coffers be compensated for their arrears of tribute. But may they not as justly seek compensation as those whom it is proposed to deprive of their monopoly?

The abolition of any legalized wrong involves hardship to those who are profiting by it, and the longer it is postponed, the greater the penalty which justice exacts. To take the people's money to purchase for them something which in nature belongs to them is too absurd, and it is safe to say that it will not be attempted in this instance. The process doubtless will be to concentrate taxation gradually on land-values, relieving industry at the same time. This method, involving delay, does not mete out full justice, but it is at least in line with human progress. "Compromise is man's law, to do right is God's."

To those who have seen a vision of better times to come, any step in the right direction, however feeble, however hesitating, brings courage and hope. Such is the legislation embodied in the Lloyd George Budget of 1909, with its tax of a half-penny in the pound on the value of land (with some exceptions), and twenty per cent on the unearned increment. The amount of justice done is slight, but the recognition of the principle is of supreme importance, and the popular education accomplished by the political campaign has been far-reaching in its results. The potential power in the movement to free the land was thoroughly apprehended by the great land-owning class, and hence the desperate resistance made by the House of Lords (or the House of Landlords, as it has been aptly termed). The lords failed to heed Cobden's warning to land-owners against forcing the subject of taxation upon the attention of the middle or industrial classes. "Great as I believe the grievance of the protective system," he said, "mighty as I consider the fraud and injustice of the Corn Laws, I verily believe you will find as black a record against the land-owners as even the Corn Law itself. I warn them against ripping up the subject of taxation."

Whether or not it is a characteristic of human nature, it is an undoubted fact that laws are commonly made in the interests of the law-makers. Sometimes this is done crudely and openly, for the personal gain of a legislator, as in the case of much tariff

legislation; more frequently it is accomplished by general legislation, unconsciously dictated by class interest. The three hundred and sixty peers who voted to reject the Lloyd George Budget own almost one seventh of the land surface of the United Kingdom, an area equal in extent to sixteen English counties.

Progress and Poverty was published in 1879. The author claimed no originality for the doctrines he expounded regarding the rights of land-ownership; but in exploding the commonly accepted Malthusian theory, that population tends to increase faster than the means of subsistence, he removed forever the stigma which rested upon political economy. The "dismal science" was a figment of the Malthusian imagination. With the realization that a livelihood is within the reach of all who are given access to their birthright, that poverty and all its attendant evils are the results of bad laws, and not decreed by an inscrutable Providence, arose a new hope for social regeneration. We need not fear the shock of a too sudden arrival of the millenium. To a friendly critic, who accused Henry George of too expansive an optimism, he replied, "You say you do not see in the Single Tax a panacea for poverty. Nor yet do I. The panacea for poverty is freedom. What I see in the Single Tax is the means of securing that industrial freedom which will make possible other triumphs of freedom."

Seeing the cause of so much human misery, and believing that they are possessed of a remedy, Single-Taxers are naturally optimistic. And their optimism is strengthened when they look back over the record of a single generation. South Australia was the first to respond to the new idea, and in 1886 adopted a land-value tax which was later extended to municipalities. In Queensland the exemption of improvements from taxation was begun in 1891, and has been gradually extended, until in 1905 a Conservative government made the exemption complete. More than ten per cent of the annual value of land now goes to the community. New Zealand began to tax unimproved land-values at the same time, and nearly one half of the total taxes now come from this source. In 1896 New South Wales followed suit, and, with the coöperation of the land-owners in some instances, has gone further than any other state, at least twenty per cent of the annual land-values being taken for public uses. Western Australia imposes a tax on land-values for state pur-

poses, besides giving rural districts power to exempt improvements. Tasmania has had a tax on the unimproved capital value of land for many years. Victoria is the only Australian state which has held back, and it has suffered in consequence, losing population to states where industry is more justly rewarded. None of the 90,500 square miles of Papua (a dependency of the Commonwealth) can be alienated, land being held on lease with periodical reassessment.

In the German Empire, Prussia was the first to give its municipalities the power to tax land-values, and most of the other states have followed suit, and the power has been widely used. There are fifteen hundred villages supported from the produce of communal lands, without taxation, and in some of them the inhabitants actually receive a dividend. The German dependency of Kiauchou in China is under the partial sway of the Single Tax, and the minister for the Colonies hopes to extend the system to all the other German colonies. Two Swiss cantons tax land-values for state and municipal purposes, and one of them has no other taxes. Orson, in Sweden, has no taxation, and yet provides a street railway free for all, a library, and public schools, and pays its own taxes to the central government. The money comes from a communal forest which encircles the town.

The United States has been slow to adopt the ideas which its citizens have done so much to popularize throughout the world. *Progress and Poverty* has been translated into all the European languages. Not long before his death Tolstoi wrote, "The injustice of the seizure of the land as property has long ago been recognized by thinking people, but only since the teaching of Henry George has it become clear by what means this injustice can be abolished. At the present time the abolition of property in land everywhere demands its solution as insistently as, fifty years ago, the problem of slavery demanded solution in Russia and in America. The supposed rights in landed property are the foundation not only of economic misery, but also of political disorder, and, above all, of the moral depravity of the people."

In May, 1913, an international Single-Tax Congress was held at Ronda, Spain, at which were present delegates from the chief European countries as well as from the Spanish-American states, where the movement has entered the field of practical politics.

But nowhere are experiments along single tax lines more striking than in Western Canada, where the taxation of land-values is firmly established and rapidly extending. A large number of municipalities depend entirely upon this form of taxation for local revenues and the provincial governments are moving in the same direction. Under this policy the growth and prosperity of such cities as Vancouver, Edmonton, and Victoria have challenged world-wide attention and are attracting a yearly emigration from the United States of between 100,000 and 200,000 of our most industrious and wide-awake citizens. An increasing pressure is thus exerted from across the Canadian border. The Minnesota report on taxation, issued in 1912, predicts that "within the next ten or twenty years the Single-Tax principle will be adopted by every taxing district in Western Canada."

The Canadian practice has been to reduce the tax-rate on personal property and improvements from year to year, increasing proportionately the rate on unimproved land-values; and the Tax Commissioner of Houston, Texas, has followed this example, without waiting for specific legal authorization. But the first state in the Union to adopt legislation of this character was Pennsylvania. The new statute, passed in May, 1913, obliges cities of the second class (Pittsburg and Scranton) to reduce the rate on buildings to ninety per cent of that on land and to continue by reductions of ten per cent every three years until a fifty per cent reduction is reached. A similar bill for New York City is pending before the legislature. It proposes to reduce the rate on buildings to one half the rate on land within five consecutive years.

St. Joseph News Press. July 10, 1907.

Land Tax in Germany.

Germany has been experimenting with a tax on land values, and the result is interesting. According to our ex-consul at Berlin, William C. Dreher, in his article in *The Review of Reviews* for April, nearly three hundred towns and villages have adopted the system. An example of the working of the law is instanced from the city of Spandau, where it was established four years ago. One owner of extensive suburban lands

there, who had been paying only \$23 a year on their revenue, derived from potatoes and market gardening, had his tax raised at one bound to \$3,330. The subsequent incidents are worth adding. His city lots went like hot cakes at reduced prices, and the community profited by extensive building operations on his tract.

Frankfort-on-the-Main was the first German city to apply this tax in 1904. Cologne followed the next year and at this time fifteen Prussian cities are taxing land valuations according to what the increment is worth. The state legislatures of Bavaria, Baden, Hesse and Saxony are agitating at present measures of varying provisions looking to the introduction of the increment tax. In some of the legislatures such bills have actually passed one branch. Four of Berlin's suburban towns have applied the tax, but not yet Berlin itself.

Of course all this has not been done without opposition. Holders of city property throughout Prussia are up in arms against the new tax; and with them stand the thirty or more land speculating companies in Berlin, which have invested in suburban real estate not less than \$18,000,000 within the last three years. The agitation for the land value tax is methodically carried on by an organization of tax-reformers incorporated eight years ago and now numbering over 300,000 members.

American Magazine. 72: 221-30. June, 1911.

A Community That Pays Its Own Bills. Albert Jay Nock.

All Canada's public land with its timber, minerals and water, not only in Alberta but also in her sister province of Saskatchewan, in Manitoba and the unorganized Northwest Territory, is held by the Dominion Government as public property and is not for sale. "There isn't enough money in all England or the United States to buy a single acre," says Mr. Oliver, plainly. "The reason is that the Dominion *wants citizens, not speculators.*" There are no land grants in Canada, either. Canada has seen "development by private enterprise" at work in the United States, and knows what it amounts to, and knows which side her bread is buttered on.

The moral influence of this policy is very striking. I had

a particular interest in observing its educational effect on the thousands of our people who are moving over into Canada each year. It has given them a clear idea of that fundamental doctrine of democracy, THE RIGHT OF PUBLIC PROPERTY.

It is a brand-new experience for our emigrant settlers, for there is no such doctrine anywhere in the United States. The Constitution is iron-clad on the right of private property, but none of our constitution-builders except Franklin and Jefferson seemed to catch any glimmering of the correlated right of public property. It never got into our documents, never came to be part of our thought, and hence none of us ever considered it seriously or perhaps ever realized that such a right existed.

Possibly—such are the vices of our education—nine persons out of ten who read this article may have to make a conscious effort to realize that there is a natural difference between property in land, minerals, timber, water powers, etc., and property, say, in a house or a suit of clothes.

But in Canada, laid deep in the foundation of this new civilization and woven into the opinion of the people, is the doctrine that *land and its resources, by whomsoever used or developed, is public property.*

And now on top of this comes the tax policy of the Province of Alberta, teaching the great truth that a community, like an individual, *should live on what it earns.*

Land is public property; therefore the use of land is a governmental privilege. Canada's general land policy teaches that. Well, then, Alberta simply chooses to live on the income of her privileges. She does not beg or filch from her citizens by taxing their property. She leads a self-respecting life. She had but one subject of taxation—her land.

It seems reasonable. Governments all apparently expect their individual units to live on what they earn. Why shouldn't governments try the same thing themselves, by way of a good example? Alberta does.

When our citizens are asked to contribute under the general-property tax, I often wonder that it does not occur to them to ask "Why should I pauperize the government? Why should I give part of my earnings to support a government that has resources enough of its own to take care of itself twice over?"

Some of our correspondents think we are very mawkish in

our disinclination to curse the tax-dodgers. They think we should have pilloried the big corporations that do not pay their personalty tax, and that we ought to haul Mr. Carnegie over the coals. Still, it is rather a grave thing to run lightly amuck at a fundamental instinct of human nature. Each of us has the notion pretty well ingrained in him that he is entitled to keep all he earns. I have it; so have you. Probably Mr. Carnegie has it, and Altman's bondholders or Park & Tilford's, whoever they may be. And the instinct is *right*—that is the reason why no other theory of taxation except Alberta's will ever be found to work. Whether we fully realize it or not, every time the government bilks us of some share of our rightful earnings, whether by the property tax or the income tax or the excise or the tariff or by this new sweet scheme of taxing corporations, *our plain, natural sense of justice is offended*, and we will dodge if we can. There is no use trying to argue a legal right into a moral right; human nature is too old for that. The fact is that we will get out of it whenever we can because we know we have a moral right to keep all we earn, and a very little thought will show us that the community also has an equally valid right to keep all it earns.

Alberta says to her citizens: "Here is land with its potential wealth. What gives value to it is the number of persons who want it. Help yourself. All you make out of it is yours—no tax on property, industry, production or labor. Pay simply what the demand (the number of people who want it) determines the privilege is worth. If you can make ten million dollars we won't begrudge you a single dollar; and if you want to put up a house built of silver or gold, we won't tax it a cent. But whether you choose to work this privilege or leave it idle, you will pay in either case just what it is worth."

The policy of the United States, on the other hand, has always been, *and still is, to alienate her resources into private hands*, and deprive herself of their income. The laws embodying this policy are still in force. The United States invited speculators, got them, fixed up a comfortable tax policy to suit them (*e. g.*, the Astor family and Trinity Church in New York City, the railroads and the Weyerhaeusers in the Pacific Northwest), and we, the rank and file of the disinherited, pay the bills. The United States is in the position of one who throws away his

own resources and lives on his friends. This is sponging, and sponging is unpopular and degrading. How is it dignified by being transferred from men to governments?

The Province of Alberta invites citizens, gets them, and pays her own bills out of her own income without passing the hat for help. The Province of Alberta exemplifies *collective self-respect in levying no tax except against the private use of public property*.

Such, in briefest outline, is Alberta's tax policy. One would like to believe that she worked it out by careful economic study, but to tell the truth, she drifted into it by accident. Alberta was erected into a province only five years ago. Her first legislature knew no more about taxation than legislatures ever do, but in leafing over some old Territorial legislation they found these provisions, thought they were worth trying and took them over.

No one knows who put them into the Territorial statutes. Rumor and fable have been busy as they always are with the origins of any great success, but the fact undoubtedly is that land was taxed in Territorial days because there was nothing else to tax. There was nothing to the Northwest at that time but land and air, and since the air was not assessable, the land was the only thing that held any prospect of revenue.

In other words, by good luck and good management, Alberta shows the development of an almost purely natural system of taxation.

Admirable as Alberta's policy is, she does not insist upon her cities and towns adopting it. She gives them the largest liberty to work out their own experiments. Under the Village Act her smallest communities may raise their revenues to suit themselves. Most of them, however, have fallen in with her system; and foremost among these is the capital city of Edmonton.

Edmonton too, like the province, got her economic education largely by accident. She began with taxes on "improvements," on business and on incomes. She gave up the income tax because she could not get at the income of her richest citizens; the business tax passes out this year because the spirit of the place has been educated beyond it, and her improvement tax disappeared on account of a collision with the Hudson's Bay Company.

When the Company was incorporated in 1670, King Charles II granted them territorial rights that extended virtually over all outdoors—rights that have arisen to plague the Dominion Government time out of mind, until they were for the most part bought out. One block of the Company's remaining land, however, turned up in the very center of Edmonton.

The Company played the old familiar game of forestalling. They did not use the land, would not sell it, would not do anything with it but patiently hold it until the influx of population into Edmonton had sufficiently enhanced its value.

There the land lay like an ounce of putty in a dyspeptic's stomach. As Edmonton grew, it had to grow around this unassimilated center. All the public utilities were intolerably strained. Sewers, water-pipes, gas-pipes, wires, street-car tracks, all had to stretch around the Company's reserve.

It was a fearfully expensive business, and Edmonton had the wit to see that while she was paying all the bills, the Company was getting all the benefit. Edmonton shortly decided that if the Company wanted to play dog-in-the-manger with that land, they were welcome to the privilege, but they must pay for it. So she exempted her improvements and laid her whole realty assessment against the capital value of land. As population enhanced this value year by year, the Company's tax bill grew until last year, with great complaint and vexation, they sent the assessor a check for \$74,445.10. Realizing that by another year the bill would come to \$100,000 or more, the Company gave up and decided to put the land on the market.

Out of this simple and universal experience, Edmonton worked out for herself an incalculable economic benefit and a far more important and valuable economic education.

There is not a city in the United States that has not had Edmonton's initial misfortune, and not one but that *under freedom of the taxing power* could have coped with it as Edmonton did. But our constitutional restraint upon the taxing power operates wholly in favor of speculation, wholly against industry, and our cities are helpless.

Consider, for example, Detroit, Mich. The site of Detroit used to be farmed by a commonplace type of Canadian French who lived on peacefully in a humdrum way until the city came and gave their realty holdings a rousing value. Two farms

called the Brush and Cass farms, lying on either side of Detroit's main thoroughfare, were held persistently out of use. The city's growth had to sidestep them or jump over them, thereby straining public utilities (and only those who have lived out Woodward Avenue know how they are strained) mightily increasing the burden of general taxation, inconveniencing everyone, causing the city to grow out of all symmetry—a sheer case of private benefit at public cost. These pieces of land remained utterly useless until some one could be maced out of the right amount of premium required to use them.

If the unused land in Detroit's present area were put under intensive cultivation, it would more than support her population. Unlikely as it seems, New York's would very nearly support hers. Few realize that nearly fifty per cent of New York's area is unused land.

Well, the remedy appears simple—why not tax it into use? Edmonton did.

First, because we have no constitutional freedom of the taxing power. The Supreme Court would like nothing better than to get a chance at a proposition like Edmonton's. Then, second, we have had no Secretary of the Interior like Mr. Oliver to teach us that land and its resources are public property. Again, we have no British Columbia to show us how to shift the burden of taxation from industry to idleness. Finally, we have no Alberta to give us an example of communal self-respect in living on its own earnings.

No, we have been "going by the Constitution," assuming that the only test of private property is the ability to get our hands on it; and meanwhile our federal, state and municipal governments are contentedly pauperized by a general-property tax.

It is a disgrace. Say what one likes about patriotism, one can feel no great pride in belonging to the only civilized country in the world that mulcts its citizens by a general-property tax. It is unreasonable to expect it.

If Canadian reciprocity would only enable us to trade off our practical politicians for public servants and legislators like Frank Oliver at a ratio of sixteen to one, we might look for a beginning of better things. It is a pleasure to believe that our new Secretary, Mr. Fisher, will find Mr. Oliver's statesmanship a most congenial study.

Alberta's tax system and Edmonton's, excellent as they are, are not yet perfect. There is one weak place in them which will shortly be remedied. This weakness may be perceived by means of the following anecdote:

The weakness of Edmonton's system (and the same is true of Alberta's provincial system) is shown in letting the market value of that lot, which is not centrally located, go up \$20,000 in three months when there was nothing substantial to justify such an increase.

Edmonton, by maybe a little stretching, has 30,000 population. She covers seventeen sections of land, nearly half a township. The Hudson's Bay holding helps largely, of course. Now the point is that if Mr. O'Meara had bought this lot, there is not near population enough or business enough in Edmonton to justify his making any present use of it (say, in the way of putting up a building) that would be commensurate with the price of his land.

In other words, \$35,000 for that lot is a valuation far and away ahead of the present time, and \$55,000 looks ahead a great deal farther still.

These values are speculative, not actual. They do not represent the worth of the land's present use. They are a mortgage on the future, a discount on the prosperity of the whole community. In short, like Vancouver, Calgary and all these rapidly growing towns, Edmonton is overcapitalized. The capital value of her land is more than it is worth.

Hence Edmonton realizes that she needs one more feature in her tax system and she is on her way to get it. The Province of Alberta realizes the same need and she too will shortly have it.

Edmonton needs to change her basis of assessment, and assess against the rental value of her land instead of against its capital value. Alberta, which as yet needs little money and contents herself with levying merely an acreage tax, will shortly make the same readjustment.

The change is assured because this region is free—and it is the only region I ever saw that was free—from the superstition that what is known as "the real-estate business" is the index of prosperity.

People believe this, I suppose, on somewhat the same theory

SINGLE TAX

that induces certain hungry savages to swallow earth. Speculative values are no real asset to a community because the only thing that land is good for is to use. If Mr. O'Meara had bought that lot for \$35,000 and sold it three months later for \$55,000, he would simply have capitalized future annual land rentals to the amount of \$20,000; hence, he would have appropriated \$20,000 from the general fund of Edmonton's land rent. He would not have earned a penny of it—as he himself so handsomely admitted—and the community which probably would earn it some time in the future would have lost the money.

It is worse policy to overcapitalize a town than a railroad—and Heaven knows that is bad enough. You may catch up to your capitalization in time, and then again you may not. Plenty of land booms have “busted” and some are bursting now. And when you do catch up, the money is not there; some thrifty landowner has absorbed it. Meanwhile, you find that fictitious valuations are a fearfully troublesome asset to live up to. They increase your borrowing power, true, but this again is a snare, for if you were not overcapitalized you would not need to borrow. Figuratively, your city has to do a four-track business over a single-track road and scamp repairs and operating expenses in order to keep up to its capitalization.

But let us suppose, if we can, that Alberta's tax policy, even as it stands, had been in effect in Washington and Oregon. Would the Northern Pacific be holding for speculation three million acres of timber land worth between \$100 and \$200 per acre—land which it acquired mostly for nothing and now holds practically tax-free?

Would it be holding for speculation millions of acres of agricultural and mineral land on the same terms?

Would the Weyerhaeusers be holding for speculation 96,000,000,000 feet of standing timber in the Pacific Northwest; would the Southern Pacific be holding 106,000,000,000 feet, while their henchmen howl against the Government for “retarding development” and “tying up our natural resources” in the National Reserve?

Hardly.

If Detroit could have taxed the Brush and Cass farms into use, would she not be a better and richer city to-day? If

Portland, Ore., could treat the holdings of her mayor and a few of his political cronies as Edmonton treated the holdings of the Hudson's Bay Company, would she not be indefinitely better off? If Seattle's land values—but O my soul, let's draw the veil of merciful silence over those!

Our States and cities cannot save themselves from the sinister consequences of over-capitalization, on account of *the constitutional restraint upon the taxing power*. True, without it they might not save themselves for a long time to come on account of our protracted training in the idea that land is private property. But the abolition of constitutional restraint upon the taxing power is the first step in our education, and without it we can do nothing and learn nothing.

The Province of Alberta, the city of Edmonton, and a multitude of smaller places in Canada are merely examples of the course that all communities will take when they are free to follow their economic education.

The *right of public property* and the *right of collective self-respect*—these two principles distinguish the Province of Alberta. These conceptions are essential to democracy. There is no doing without them. Direct legislation, commission government and so forth, which are interesting us just now, are all very well in their way, but they are politics and politics is machinery. You cannot run democratic machinery with feudalistic steam. A people that will tolerate a *feudalistic exercise of the taxing power* cannot express itself in permanent or powerful democratic institutions. It has nothing to express. But where there is a correct theory of taxation, where there is a current doctrine of public property, as in the Province of Alberta, it is impossible for any but democratic institutions to flourish.

For instance, in Alberta and the other portions of Canada where these two ideas have taken root—the right of public property and the right of corporate self-respect—they run up logically into a very large practice of public ownership. Alberta, Saskatchewan, and Manitoba swept out the Bell Monopoly and operate their own telephones over immense stretches of rural district. The service is excellent and very cheap. Grain elevators and certain slaughterhouses are operated as public utilities. The cities largely operate their own franchises,

including trolley cars. The Saskatchewan Legislature is contemplating an ambitious measure of leasing back all its coal and water powers from the general government and using them in a comprehensive scheme for the ownership and distribution of heat, light and power throughout the province. The people are free-traders from the Great Lakes to the Rocky Mountains. The Grain Growers, meeting recently at Regina, demanded straight free trade and a Dominion-wide policy of land-value taxation.

Yet the people do not call themselves Socialists or any such high-sounding name. I have not once heard the word Socialism. They seem to be unconscious that they are doing anything unusual. The officials of the Province of Alberta are astonished at the floods of inquiry that pour in on them from all parts of the United States. They conceive of themselves as doing only the natural thing, the simple and reasonable thing, and they are amazed that it could create so much interest and be thought so revolutionary.

Summing up our brief investigation, we find that the general government of Canada exhibits:

1. *Constitutional freedom of the taxing power.*
2. *The right of public property.*

British Columbia exhibits:

3. *The partial exemption of industry and production.*

Alberta exhibits:

4. *The entire exemption of industry.*
5. *The doctrine of communal solvency and self-respect, in levying no tax whatever except against the private use of public property—against the rent of a delegated monopoly.*

American Magazine. 72: 335-8. July, 1911.

Why Nature's Way Is Best. Albert Jay Nock.

On the boundary line between the Canadian provinces of Alberta and Saskatchewan lies the town of Lloydminster. Half of it is in Alberta and half in Saskatchewan. The boundary line runs down the middle of the main street. There is the same taxable area on each side. Local improvements requiring revenue—paving, sidewalks, fire protection, etc.—are the same.

No better situation could be made to order to give example of two tax systems side by side.

Alberta permits her cities, towns, and villages an unlimited freedom of the taxing power. Saskatchewan does not. Her restraint is very slight, but she does not trust local experience and knowledge to the full as Alberta does. She prescribes a few subjects of taxation for her towns, and among them are real-estate improvements, to be assessed at 60 per cent of their value.

Lloydminster, Saskatchewan, therefore, among other taxes, levies against improvements. Lloydminster, Alberta, on the other hand, *taxes nothing that can move*. She taxes only her land values.

Hence everything that can move without sacrificing more than the advantage in taxation comes to, moves over to the Alberta side. The Saskatchewan town was started two years before the other, and many considerable investments remain there for the present; but even the men who own the businesses on that side are building their residences in Alberta. Men like Mr. Bell, Mr. Cumming, and Mr. Scott, who conduct respectively the largest hotel, general store, and hardware business in Lloydminster, reside on the Alberta side. New business locates in Alberta, as a matter of course. Mr. Ashton, whose business is in Alberta, tells me that if his building and stock (now exempt) were on the other side of the street, it would make a difference of about \$12,000 in his assessment. I submit Lloydminster as a concrete showing of the effect of natural taxation upon prosperity.

The Whence and Whither of Prosperity

Well, you say, all this is rather to be expected. Prosperity depends largely on industry and industry depends on population. Population naturally gravitates toward free homes and untaxed labor, and these are the result of the land-value tax. We know this already.

Yes, but here is a point that is sometimes overlooked. If population and industry follow the land-value tax, as they do, they must follow it somewhere *away* from somewhere else. If population streams *toward* an economic situation that permits free industry and free homes, it must stream *away* from situations where these are not free.

Lloydminster shows in miniature the tendency that is operating very powerfully just now between British Columbia and the neighboring States of Washington and Oregon; between Western Canada and the Eastern provinces as a whole; between cities like Calgary or Lethbridge and Edmonton or Vancouver; and, finally, between the province of Alberta and the rest of the Dominion.

Mayor Gaynor had us all dipping into Epictetus a little last winter, so there can be no pedantry in recalling what Epictetus says about the advantage of the natural way of doing anything. If you once get hold of that, you can defy competition from those who are doing it in an unnatural way. Alberta has gotten hold of the method of *natural taxation*, and communities that try to compete with her on any other basis are out of the running.

Hence, sooner or later, she makes them toe the mark. Self-preservation finally forces them into line. Sometimes the day of reckoning comes far sooner than one would think. Even after all I saw of the land-value tax in British Columbia cities, I was amazed when only the other day Victoria, the old, staid, conservative capital city, which everyone says is more purely English than London, voted in the land-value tax by a majority of eight to one.

Why did she do it? Because she could not compete with the other cities in her own province unless she did. She could not stand competition with Vancouver, Prince Rupert, Nanaimo, any more than Lloydminster, Saskatchewan, can stand competition with Lloydminster, Alberta.

Put the question to yourself. Other things being equal, would you subject your industry to conditions in the State of Washington where taxation covers everything but fruit-trees and credits, where assessed valuations are so discriminatory and capricious as to demand a local rate of three to seven per cent., if you could exercise it in the comparative freedom and equity of British Columbia?

Or, again, if you were in Canada, other things being equal or nearly so, why should you try to offset even the slight burden of provincial taxation on your industry in a British Columbia city or rural municipality, if you could settle in Alberta and escape it altogether?

How Washington Stands from Under

More and more are people realizing this situation. Here is a significant fact: For one year past, Vancouver, the largest city of British Columbia, has wholly exempted real-estate improvements. It was told—in fact, it amounts to a general understanding—that during the last six months an average of five families a week had moved from Seattle to Vancouver. I cannot vouch for this absolutely, for the figures are not official, but I am so far from doubting it that I only wonder there are not fifty. The Immigration Office at Ottawa, however, does inform me officially that nearly as many immigrants have left the State of Washington of Canada during the last year as during the three years preceding. The figures are as follows:

1907	3,829
1908	7,517
1909	9,366
1910	17,734

The doubling of immigration, at figures of that size, from one year to the next, is certainly interesting. Washington and Oregon together have in four years, since 1906, sped 43,979 citizens into the larger liberty of the Dominion of Canada.

Alberta's Lodestone

But going back to the conditions that chiefly make for Alberta's prosperity, we find that of the 329,409 who have emigrated from the United States to Canada in the past four years (and incidentally, that means also a minimum of \$329,409,000 that went with them), 106,626, or approximately one third, settled in the province of Alberta. The tide of immigration to Alberta is swelling each year. Now Alberta has some natural advantages, it is true, but none that I know of over Saskatchewan, for instance, at the present stage of settlement. When population becomes more dense, Alberta may be found a little better off than her sister province, but even that is doubtful and certainly not to be considered at the present time. But *the inexorable economic advantage* is with the province of Alberta and will remain with her, operating powerfully against her competitors, until such time as they all fall into line.

***Ontario, Canada. Tax Reform and Direct Legislation
League.**

How the Farmer Pays City Taxes.

The average farmer is under the impression that the taxing of improvements in cities is a matter in which he is not interested, and to tell him that the taxes levied on such things as buildings and business takes money out of his pocket, and in fact, is largely paid by him, would appear to him absurd. Yet it is a fact that every dollar of taxes levied upon buildings, or businesses in cities takes more than one dollar from farmers.

Let us give the matter a little consideration. There are only two classes of things which are taxed to-day; land is one, and labor products the other. Let us consider the effects of taxing each of these things in cities and towns with special reference to the effects upon farmers.

A tax upon buildings decreases the revenue derived from buildings rented. Thus, a tax rate of 20 mills on the dollar, a common one in towns, will necessitate an increase in the rent of 2 per cent. per annum over and above what is required to give the ordinary return to capital. That is to say, if a man ordinarily was content with the return of 6 per cent. on his money invested in buildings he would require to collect 8 per cent. from his tenant in order to have 6 per cent. left when taxes are paid.

The tenant of a store where farm produce is handled must get this extra rent out of his business in increased margin for doing business; in other words, out of his customers. This means he cannot afford to pay the farmer so much for his products. But that is not all. In all other businesses, a tax on buildings being added to the rent increases the cost of doing business, and so increases the cost of goods to the consumer. This reduces the demand for goods and the number of men employed in the manufacture, and consequently the market for the farmer.

The tax being added to the rent of all dwelling houses reduces the amount of a man's income by the amount of the tax, and so reduces the purchasing power of the people for the goods of the manufacturer and farmer. This re-acts on the farmer again in higher prices for things that he needs to buy,

and less demand for what he has to sell. Thus, a tax on buildings in the city is largely borne by farmers in the country.

Now let us consider the effects of taking the tax off buildings and industry and placing it wholly on land values in the cities. It is a notorious fact, that over one-half of the area of every city and town in Ontario is vacant land. Now this land is vacant, not because no one wants it, but because the owner is not willing that it should be put to use unless he is first paid a price, which in his judgment is sufficient to tempt him to stand aside to let someone use it. Often this price is four times what it cost him, and double what it is worth for anyone to use, but until he gets his price he can stand in the way of industry and those who could and would use it at a fair price are compelled to pay what amounts to a heavy fine, before they are allowed to produce wealth and employ labor, or else remain idle.

The exemption of buildings from taxation and the levying of all taxes upon land in proportion to its value, would probably increase the rate in towns and cities to 4 per cent. of the selling price. In the case of improved property, the exemption of the building would usually more than compensate the owner, except where poor buildings are standing on very valuable land, in which case it would be an inducement to replace the poor buildings with others more suited to the locality. It would also be a very powerful incentive to the owners of vacant land, either to build or to sell.

Now with taxes of four per cent on the capital value, no one would buy land unless he was prepared to build upon it. Two results would follow. First, the selling price of the land would fall probably one-half, that is to say, the speculator finding that the change in the system of taxation had spoiled his chance of holding up industry for the increase in value which increase in population confers upon land, he would sell at any price he could get if he could not use it to advantage himself. Second, there would be immediately a great increase in the demand for labor and building material, so as to utilize the land released by the speculator and bought by the improver.

Other results would follow. The increased demand for labor would raise the wages in the building trades. The increased number of stores and dwellings would reduce rent, and both of

these together would increase the ability of the people to buy the produce of the farmers. This increase in demand would be further increased by a portion of wages of every additional workman employed as a result of the new industrial conditions.

Let us sum up. The effect would be by reducing the taxes upon buildings to reduce the rent by at least that amount. The fall in the price of land by the destruction of the profits of land forestalling, would still further reduce the rent required to pay the ordinary return to capital and the increase in the supply of buildings would force rent down to that point, so that rent would be based upon the reduced value of land and the cost of the buildings. Other results would be higher wages, more men employed, and a larger amount of wages left to the workers after rent was paid; smaller cost of selling farm produce, allowing of better prices to farmers and reduced prices on goods bought by farmers.

We think we are well within the limits when we state that a sum equal to the whole of the tax imposed on buildings in cities or towns is taken from the farmers in increased cost of handling farm produce; lower prices for what they sell and higher prices on what they buy, as a result of the taxing of buildings and businesses.

That is why the tax reform in the cities means increased income for the farmers.

Tax Reform in Ontario.

Speculation has been gradually discouraged and industry encouraged in Ontario as follows:

1819—Vacant land in cities and towns assessed 4s. as wild land, or 20s. per acre as meadow land. All buildings, improvements, and personal property assessed.

1837—Assessment on vacant land in towns increased to £10 an acre. Assessment on personal property reduced nearly one-half.

1888—Assessment of farm stock abolished.

1904—Personal property tax abolished. Business assessment substituted for personalty. Separate assessment of lands and buildings.

1910—Farm lands exemption, allowing under-assessment of

lands in cities abolished. Income exemption increased to \$900 for non-householders, and \$1,200 for householders.

1911—City of Toronto allowed to expropriate 200 feet on either side of proposed street extensions and improvements to secure increased value caused by improvement or extension of street.

Outlook 103: 771-5. April 5, 1913.

Taxing Enterprise. Richard Spillane.

The history of my business is not different from that of many other manufacturing concerns. My troubles are the common troubles ten thousand others suffer under. We all know they exist; we all would like to lessen them, but we are almost helpless. How great is the handicap and how many are the obstacles we have to overcome, few persons outside the manufacturing sphere realize.

Forty years ago my father started business in a loft, in what is now the downtown district of a Middle West city. He had eleven men. His capital was small. He manufactured machinery that has lightened the burdens of men throughout the civilized world. He had courage, ability, and determination. He was not only a good manufacturer, but a wonderful salesman. He took great pride in his work. He never let a piece of machinery go out of his shop unless it was perfect. He prospered, and as his business grew he required more space. First he hired other lofts in adjacent buildings, then he bought a building or two. Still his business broadened. Every few years he had to have more space. He could not always spare the money from his business to buy the property he needed, so that which he could not buy he rented.

People who owned property around my father's manufactory took advantage of the needs of this industrial space, and they doubled and trebled rents on him. They would not give long leases, but rented only from year to year, and every year they raised the rent. But still the business spread, and the factory rambled all over the neighborhood. In some instances my father managed to have narrow alleys closed by public consent; in other instances he tunneled under thoroughfares or

bridged across them, in order to connect his various buildings. Many, many men fattened on my father's industry. For example:

A German saloon-keeper owned a piece of land separating two departments of our work. It was a ramshackle old building that the German used, and the land and the building cost the saloon man only \$4,000. We bought that ramshackle structure sixteen years ago, but we had to give \$16,000 to the German in order to acquire it.

Now, you understand that there was nothing to increase the value of this saloon man's land except the fact that we needed it for manufacturing purposes. In other words, the saloon-keeper squeezed \$12,000 out of us without contributing one cent to the community, either in money or effort. We were bled by all the property-owners in our neighborhood. The more our business expanded, the higher they raised the figures on their property. We were the workers. They held us up for a good share of our profits.

Things got to such a pass that we could stand it no longer. We were cramped for space, but could not get the space without being charged an extortionate price. We explained the situation to the property-owners, but it was no use. Then we determined on radical action. Seven years ago we moved our plant to open land on the outskirts of the city, where there was little or no population.

We fenced in several acres of land and proceeded to erect buildings so as to bring our organization together in an economical arrangement. When our new buildings were completed, we abandoned the old plant. What do you suppose was the result? All the buildings we formerly occupied are now on the market, with no takers. By reason of our abandoning them they have declined in value to the price they commanded before my father began manufacturing in that little loft forty years ago. The net decline represents about the amount we paid in premiums and excess valuation.

Now, is it just that a manufacturer should be penalized because he is industrious and because, through that industry, he has to have more space for his plant? Why should he be singled out? A railway or any other public service corporation that has to have land for enlargement of its facilities or right of way can, through the courts, bring condemnation proceedings

in case owners of property are not willing to sell at a reasonable price. Appraisers are appointed, and the railway or other public service corporation obtains the land it needs at something like its market value.

Why should a railway have greater rights than a manufacturer? We were making machinery essential to society. A railway does not perform a fundamental function other than transportation, yet it is protected from the oppression of real estate agents and land speculators.

We are to-day employing 2,300 men. In other words, our business is a revenue-producer to the community to the extent of our annual pay-roll. These 2,300 men are permanent residents of the city, but they would not be there if it were not for the fact that our industry is established in that city. According to the last quadrennial appraisalment it is estimated that every man that moves in, or every child that is born in the community, adds about \$500 to the land value. This means that our manufacturing plant has added \$1,150,000 to the land values of our city.

Now, considering three to a family instead of four, which is the usual number, this brings the total up to \$3,450,000. Our payroll is a net revenue to the community, which goes from the merchant to the jobber, and from the jobber to the manufacturer, and in turn to the farmer. It percolates through all the channels of production and trade.

It is customary to consider that the manufacturing business belongs solely to the man or the firm or the corporation which controls it. But, as a matter of fact, it belongs to the community as much as does the courthouse or the city hall. The fact that I and my associates have title to the property does not affect the community interest.

My father invested all his earnings back into the business, in the improvement of our product, in the enlargement of our facilities. My associates and I have continued the same policy since my father died. The plant is owned by those active in the business, and none of us has anything, aside from this business, except our homes and a few insurance policies.

The statistics of our city show that there is involved an investment in machinery, lands, buildings, etc., of approximately \$1,000 to every man employed. About ten years ago we had a

strike, which, in loss of production and profits, importation of strike-breakers and detectives, cost us \$100,000. The cost of this strike became known in the community through the newspapers, and it was a common expression that we were a rich concern and could afford it. In fact, that the loss of \$100,000 meant practically nothing to us.

The fact that this was the only strike that we have had in the forty years of our existence would indicate that we have dealt with our employees justly. I wish we never had had this one strike. It is one of my sorrows. As I look upon it now, I was to blame in a large part. The men were to blame, too. They were bent on making trouble. What I cannot forgive myself for is that I did not maintain a closer relationship to them, learn of their discontent earlier, and remedy the wrongs that brought about the trouble.

I have told you that it was current report that we lost \$100,000 through that strike. We did not actually lose that amount. The loss was to the community. We would have invested that \$100,000 in more machinery, more buildings, and more business in order to employ more men. With this \$100,000 that was dissipated through the strike we would have employed one hundred additional men, who would have brought that much more revenue to the city. Now our pay-roll averages approximately \$1,000 per year per employee. One hundred additional men means that that strike cut \$100,000 from the total of what our pay-roll would have been. Thus the community has lost that many dollars per year. Consider this for ten years and you have \$1,000,000 loss to the community. Consider this compounded in the many ways in which such things ramify, and you have a total that is not pleasant to contemplate. Do you appreciate that the community has a decided monetary interest in our plant?

In moving the 2,300 men to the open acreage which we purchased, we thought we had settled one kind of our trouble. We brought all our plant together, in something like an economical arrangement, and this was a great relief to us. Much as we rejoiced over this, we rejoiced still more in our proud belief that the old gray wolf of the land speculator was not looking in at our door any longer. We rejoiced too early. We have another wolf at our door. This is a young one; an

offspring of the one that preyed upon us when our manufacturing plant was in the heart of the city.

We found that by moving 2,300 men to the open acreage in the outskirts of the town we created land values around us. A troop of speculators have trailed us. These men are laying out acreage property into town lots, selling the lots to our men and others who are attracted by the system of trade which 2,300 workers naturally would build up. We thought we were establishing our plant on cheap land, yet to-day we find lots adjoining our property selling on a basis of \$50 per foot front. The tax appraiser comes along and sees that these 40-foot lots close to our plant and used for store property are selling at \$2,000. What do you suppose he does? He estimates that if that storekeeper's land is worth \$2,000 a lot, our land is worth as much, if not more, and we have been put on the assessment roll according to that valuation. We are being punished for that which we have built up. We have been fined for our industry; we are punished for investing the earnings back into our business. We put this money back into our business because we had pride in our achievement; because we gloried in the fact that we were producing more and better goods for the benefit of mankind than any other men in our land. We have great pride in the big plant that has resulted from our efforts.

Money is not our only aim. We draw generously from our earnings for our needs, but it has been the one aim of our lives to increase and to broaden our business. This business has become a monument to our families. We might have been selfish and have prospered more. We have been producers, workers. If, instead of being producers and workers, we had invested our earnings in real estate and become parasites, we probably would have done much better in a financial sense.

At first glance you would suppose that when the tax assessor puts his valuation of \$2,000 a lot on our land, and we pay the increased tax, that ends it so far as we are concerned. But it does not. The effect upon us, aside from the tax, is indirect, but is more vital than the tax itself. As the land values increase around our place, it is natural that the men who work for us, and who live on these lands, will have to pay more rent or more for their home, or higher taxes. The land around our plant affects our pay-roll. Speculators are beginning to under-

stand that the price of this land to-day is less than it is going to be five years from now. When our workmen buy from the speculators who have grabbed up this land, or rent from those who have put up houses, they must pay both principal and interest. Their rents become higher and they have less for food and clothing; they naturally will come to us for increased wages. If they do not get the increase, they are likely to strike and paralyze our industry. The price we pay for this strike is the land speculator—a man who has not handed one dollar, either in service or industry, to our community wealth, but has fattened wholly by our productive industry.

We made one serious mistake, in view of the present evil system of our tax laws, when we relocated our plant. We should have acquired all of the land around our factory in order to control the price, and then we should have sold it to our men at a moderate cost. But even this would have been doing an injustice, because we can provide a greater revenue to the community and perform a higher duty to society by making this investment in machinery and buildings. As I consider it now, it probably was better to do as we did rather than protect ourselves against the machinations of the land investor.

I moved our plant out into the country to escape real estate and tax injustice. I have not escaped either. No man objects to paying an honest or just tax, but he does object to an unjust tax. Manufacturers throughout America have suffered as I am suffering, and all the while they see crafty, clever men, who are doing nothing for the world's progress, escaping an honest tax on their property simply because they will not improve it. For example, buildings in the downtown districts of the city should pay the bulk of taxation, those nearest the center of trade and traffic being assessed the highest. In our city, right in the heart of the busiest section, you will find various one-story structures, "taxpayers," they are called, built to provide carrying charges until such time as the owner thinks it wise to put up a fair-sized structure or a sky-scraper. These "taxpayers" not infrequently adjoin some of the finest structures in the city. The tax on the "tax-payer" is trifling in comparison with the tax on the sky-scraper. In the same neighborhood, too, there are a lot of superannuated buildings, structures that were erected forty, fifty, sixty, and in some instances seventy

years ago. Rents in them for offices are very high, but the tax on these buildings is very low because the buildings are not worth much. As a matter of fact, these superannuated buildings are among the best revenue-producers in the city. All land values are based on desirability, and in the case of the mercantile section it is traffic that provides the element of desirability. Naturally, each of our employees supplies a unit of this traffic. If taxes were placed on the lands of these congested sections, and laws passed that would relieve a man from a fine for putting up a building and performing a social service, then the owners of some of these superannuated buildings, and these taxpayers who are holding the land simply for increased value, would be forced to pull down those structures and put up ones that would pay them revenue. Rents to merchants would be cheaper by reason of the competition of many and more tenatable buildings. Under a proper system of taxation there would not be the inequality and injustice that there is to-day. It seems to me that the people who perform useful functions to society are burdened with the heaviest taxes, while a lot of rich but indolent people live on unearned increment.

Our whole taxation system is wrong. There ought to be a readjustment. Suppose I make a chair for my own use in my own house. The community has no right to participate either in its value or in its use, but the tax man comes along and says: "This is a perfectly good chair. The man who is able to make and sit in such a chair certainly is able to pay taxes." So he assesses, say, five per cent of its estimated value, and as long as the chair continues in use and I do not hide it, five per cent of its value goes into the public till, until its entire value has been absorbed in twenty years.

My enterprise and general desire to produce is dulled by reason of the fact that the community takes away my product in installments. The same principle is proved if the chair had been made in a factory, except in this latter case it is not only taxed as merchandise, but the buildings and the machinery of the factory are taxed, all of which must be added to the final selling price. The individual or the industry producing with hands or brains is penalized.

The purpose of taxation is for public administration and for public improvement. It is supposed to be for the good of all.

That which is for the good of all should be derived from that which all produce, and that is the land values of the community. Land values are made by population. They are socially created.

To my mind, the tax question is more important to the American people than the tariff. Unjust taxation has hampered the growth of many an industrial establishment and, I believe, has ruined many a concern. It has driven hundreds of plants away from one community to another, uprooted tens of thousands of families, and done no end of wrong. The man who solves this problem so that the inequalities and the injustices of the present system are wiped out will do a great work indeed.

Kansas City Times. March 13, 1912.

Tax System Created a Fortune.

In 1866 John H. Nagle of Seattle took the 160 acres just east of Broadway in that city and north of Madison Street. That it had no value then is shown by the fact that anyone could have had it who thought it worth taking. In 1874 Nagle became insane and was taken to Steilacoom, where he was left at the expense of the taxpayers until 1897, when he died.

That his land had little value in 1866 is shown by the fact that he traded five acres of it for a blind mule a short time before this. A trustee of his estate had been appointed by the court when he became insane, who sold enough of it from time to time to pay the taxes. The remainder in 1898 was worth fully \$300,000.

Now it is evident that this value was not created by John H. Nagle, who was in an asylum. It was created by the people of Seattle. Yet the city had to pay \$11,000 to his estate to get the three blocks on which the reservoir and Lincoln Park Playground are situated.

It is also evident that when this \$300,000 was given to Nagle's nonresident heirs, who did nothing to earn it, that it was taken from the people who did create it. Every man, woman and child in Seattle was poorer because of this being taken from them. If anyone gets without earning, others must earn without getting.

Nebraska State Journal, Lincoln. October 10, 1911.

What the Single Tax Advocates Claim for Their Theory.

We assert as a primary principle that all men are equally entitled to the use of the earth:

Therefore, No one should be permitted to hold land without paying to the community the value of the privilege thus accorded; and from the fund so raised all expenses of government should be paid. We could, therefore, abolish all taxation, except a tax upon the value of the land exclusive of improvements. This tax should be collected by the local government and a certain proportion be paid to the state government.

This system of taxation would dispense with a horde of tax gatherers, simplify government and greatly reduce its cost.

It would do away with the corruption and gross inequality inseparable from our present methods.

It would relieve the farmer, the workman and the manufacturer of those taxes by which they are now unjustly burdened, and take for public uses only those values due to the public growth and improvement.

It would make it impossible for speculators to hold land idle, and it would open unlimited opportunities for the employment of labor and capital, which is essential to the solution of the labor problem.

Briefly stated these are the fundamental principles of what those who advocate it, call the Single Tax:

We propose to abolish all taxes save one Single Tax levied on the value of land irrespective of the value of improvements in or on it.

What we propose is not a tax on real estate, for real estate includes improvements. Nor is it a tax on land for we would not tax all land, but only land having a value irrespective of its improvements, and would tax that in proportion to that value.

Our plan involves the imposition of no new tax since we already tax land values in taxing real estate. To carry it out we have only to abolish all taxes save that on real estate, and to abolish all that which now falls on buildings or improvements, leaving only that part of it which now falls on the value of the bare land. This we would increase so as to take as nearly as

may be the whole of the economic rent, or what is sometimes styled the "unearned increment of land values."

That the value of the land alone would suffice to provide all needed public revenues, municipal, county and national, there is no doubt.

From the Single Tax we may expect these advantages:

1. It would dispense with the entire army of tax gatherers and other officials which present taxes require, and place in the treasury a much larger proportion of what is taken from the people, while, by making government simpler and cheaper, it would tend to make it purer. It would get rid of taxes which necessarily promote fraud, perjury, bribery and corruption, which lead men into temptation, and which tax what the nation can least afford to spare—honesty and conscience. Since land lies out of doors and cannot be removed, and its value is the most readily ascertained of all values, the tax to which we would resort can be collected with the minimum of cost and the least strain on public morals.

2. It would enormously increase the production of wealth—

- (a) By the removal of the burdens that now weigh upon industry and thrift. If we tax houses, there will be fewer and poorer houses; if we tax machinery, there will be less machinery; if we tax trade, there will be less trade; if we tax capital, there will be less capital; if we tax savings, there will be less savings. All the taxes therefore, that we would abolish are taxes that repress industry and lessen wealth. But if we tax land values, there will be no less land.

- (b) On the contrary, the taxation of land values has the effect of making land more easily available by industry, since it makes it more difficult for the owners of valuable land, which they themselves do not care to use, to hold it idle for a larger future price. While the abolition of taxes on labor and the products of labor would free the active elements of production, the taking of land values in taxation would free the passive elements by destroying speculative land values, and preventing the holding out of use of land needed for use. If any one will but look around today and see the unused or but half used land, the idle labor, the unemployed or poorly employed capital, he will get some idea of how enormous would be the production of wealth were all the forces of production free to engage.

(c) The taxation of the process and production of labor on the one hand, and the insufficient taxation of land values on the other produces an unjust distribution of wealth, which is building up in the hands of a few, fortunes more monstrous than the world has ever before seen, while the masses of our people are steadily becoming poorer. These taxes necessarily fall on the poor more heavily than on the rich; by increasing prices they necessitate larger capital in all business and consequently give an advantage to large capitals; and they give, and in some cases are designed to give, special advantages and monopolies to combinations and trusts. On the other hand the insufficient taxation of land values enables men to make large fortunes by land speculation and the increase in ground values—fortunes which do not represent any addition by them to the general wealth of the community, but merely the appropriation by some of what the labor of others creates.

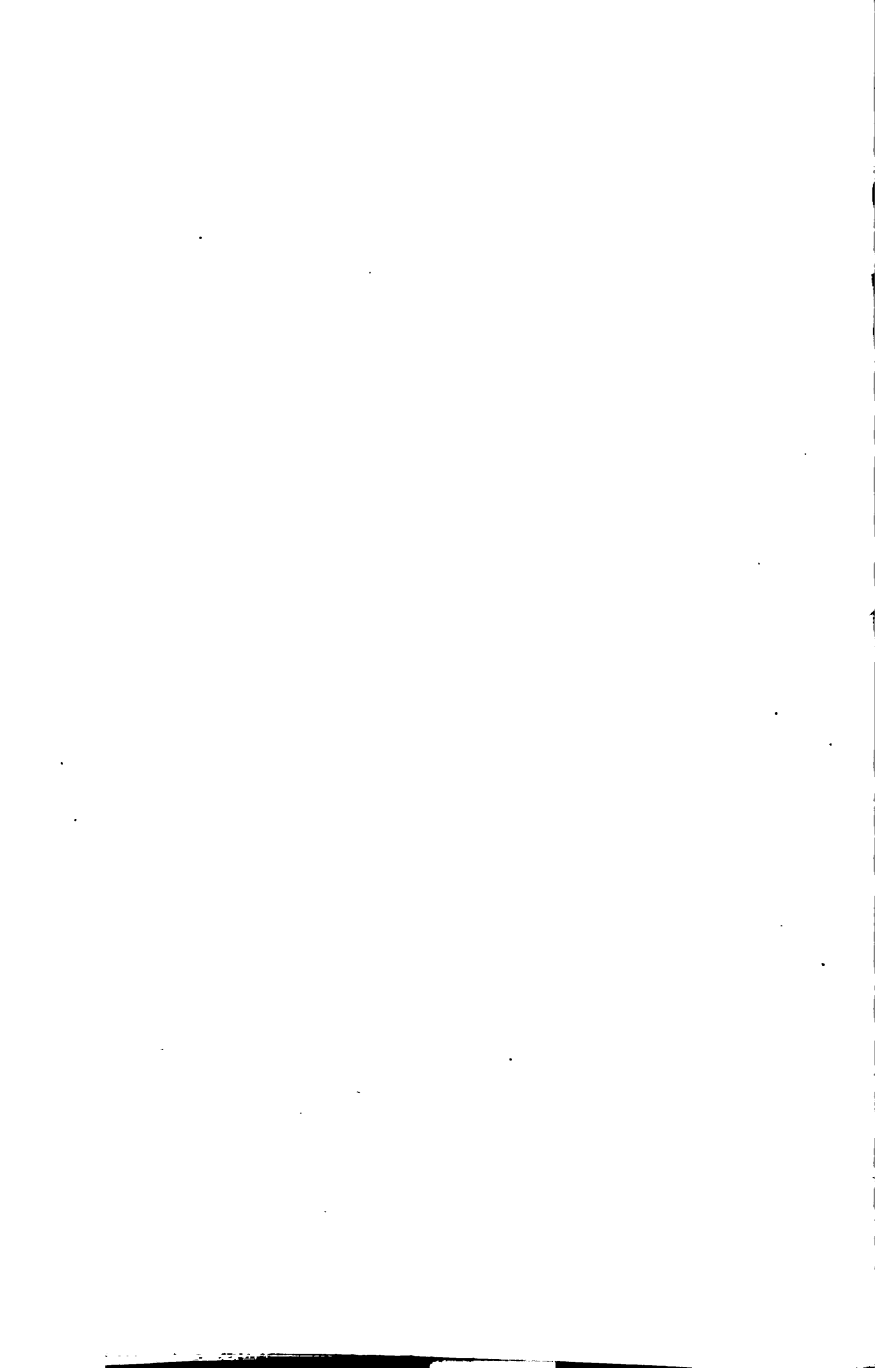
This unjust distribution of wealth develops, on the one hand a class idle and wasteful, because they are too rich, and on the other hand a class idle and wasteful, because they are too poor—it deprives them of capital and opportunities which would make them more efficient producers. It thus greatly diminishes production.

(d) The unjust distribution which is giving us the hundredfold millionaire on the one side and the tramp and pauper on the other generates thieves, gamblers, social parasites of all kinds, and requires large expenditures of money and energy in watchmen, policemen, courts, prisons and other means of defense and repression. It kindles a greed of gain and a worship of wealth, and produces a bitter struggle for existence which fosters drunkenness, increases insanity and causes men whose energies ought to be devoted to honest production to spend their time and strength in cheating and grabbing from each other. Besides the moral loss, all this involves an enormous economic loss which the Single Tax would save.

(e) The taxes we would abolish fall most heavily on the poorer agricultural districts, and thus tend to drive population and wealth from them to the great cities. The tax we would increase would destroy that monopoly of land which is the great cause of that distribution of population which is crowding people too closely together in some places and scatter-

ing them too far apart in other places. Families live on top of one another in cities because of the enormous speculative prices at which vacant lots are held. In the country they are scattered too far apart for social intercourse and convenience, because instead of each taking what land he can use, every one who can, grabs all he can get in the hope of profiting by the increase of value, and the next man must pass further on. Thus we have scores of families living under a single roof, and other families living in dugouts on the prairies afar from neighbors—some living too close to each other for moral, mental, or physical health, and others too far separated for the stimulating and refining influences of society. The wastes in health, in mental vigor and in unnecessary transportation result in great economic losses which the Single Tax would save.

These are the fundamental reasons for which we urge the Single Tax, believing it to be the greatest and most fundamental of all reforms. We do not think it will change human nature. That, man can never do; but it will bring about conditions in which human nature can develop what is best, instead of, as now in many cases, what is worst. It will permit such enormous production of wealth as we can now hardly conceive. It will secure an equitable distribution. It will solve the labor problem, and dispel the darkening clouds which are now gathering over the horizon of our civilization. It will make undeserved poverty an unknown thing. It will check the soul-destroying greed of gain. It will enable men to be at least as honest, as true, as considerate and as high-minded as they would like to be. It will remove temptation to lying, false swearing, bribery and law-breaking. It will open to all, even to the poorest, the comforts and refinements and opportunities of an advancing civilization. It will thus, so we reverently believe, clear the way for the coming of that kingdom of right and justice, and consequently of abundance and peace and happiness, for which the Master told His disciples to pray and work. It is not because it is a promising invention or cunning device that we look for the Single Tax to do all this; it is because it involves a conforming of the most fundamental adjustments of society to the supreme law of justice because it involves the basing of the most important of our laws on the principle that we should do to others as we would be done by.



NEGATIVE DISCUSSION

Single Tax Explained: Summary, Pages 24-8.

George Fallon.

The Fels Fund Commission is the originator of the present Single Tax movement in this country.

The Referendum League and the Equitable Taxation League are subsidiary organizations of the Fels Fund Commission, and these subsidiary organizations are officered by the same men.

The Referendum League four years ago promoted and were successful in having Initiative and Referendum adopted in Missouri. Initiative was the first step towards Single Tax, being promoted for that purpose, and therefore, the first step towards the confiscation of land in Missouri.

In advocating Single Tax in Missouri, the Fels Fund Commission is not simply interested in the state's system of taxation, for few of these people have any property interest in the state. Probably some members of the Commission have never been in the state. The funds provided for the expense of this Commission and its subsidiary organizations are largely, and almost altogether, provided by men living outside of Missouri. The same thing may be said as to the state of Oregon, the city of Seattle, and other places where this Commission is trying to have Single Tax adopted.

The question naturally arises, Why then is this Commission interested in a system of taxation in Missouri and other places? The reason is obvious: They seek to make use of this necessary expense, taxation, by having it placed on land without limitation, to gradually destroy the selling or commercial value of land. In doing so, they make various side arguments in support of Single Tax to accomplish this ulterior purpose. They justify this Single Tax attempt to destroy the commercial value of land by claiming that in placing the burden of taxation

on land, the incentive for any one to retain possession of any more land than they can properly use, would be removed.) Single Taxers believe there is land enough for the actual needs of all the people. They claim that land belongs to the community as a whole, and that any one wanting the exclusive use of land should pay the economic rent, or rental value, into the public treasury for the use of the government. The Single Taxer claims that in the state appropriating to its use economic rent, Nature's wealth will be made use of for all, and that no government should seek to attempt to provide for its expenses by taxing any kind of wealth or property that is created by its citizens, until they have first exhausted rent from land.

The Single Taxer seems to overlook the fact that the public, through their government, sold out and out to its citizens the public domain, that land has passed from one person to another, generally at an increased price, and that the present owner of land has paid the increased price to individual members of society who have heretofore owned the land. This increased price is what the Single Taxer terms "increment," and economic rent might be properly termed the interest on increment; so that the individual members of society having as heretofore said, received from time to time the increment to land, final payment having been made by the present owners, it would seem, therefore, that as individual members of society have already been paid for increment, the public, through their government, having sold the land out and out, society is not entitled to rent.

The proposed change in our system of taxation will not enable any one to acquire land any better or any easier than it can now be acquired. If a person desires a lot for its site value or land for agricultural purposes, he can get either, and without having to pay any higher rent to the present owner of land than what they would have to pay to the state in economic rent for the use of the same lot or farm; for, both values are fixed by the same rule; that is, what the exclusive use of a lot or a farm is worth. But there is this difference: The present owner could sell land out and out or lease, as may be desired, at an agreed definite rental value, for one or a stated number of years. A lessee would then know absolutely how many years he could occupy the land and just what he would have to pay

each year. Under Single Tax, however, if he occupied a lot or a farm, he would not know what rent he would have to pay one year with another. The taxes might be so high that he would be unable to pay them from the uses he was making of the lot or farm. While there was an uncertainty as to what the state was going to demand in taxes each year, improvements would of necessity be prevented.

The following are the present sources of revenue which would be materially effected by the adoption of the Single Tax Amendments:

- First—Tax on land.
- Second—Tax on improvements.
- Third—Tax on personal property.
- Fourth—License and occupation tax.
- Fifth—Poll tax.
- Sixth—Special Improvement tax.

Under Single Tax, class 1 (land) would have to pay the additional taxes paid by classes 2, 3, 4, 5 and 6. In cities and municipalities this entire tax must be met or provided for from rent on buildings or improvements and the tenant must pay this increased rent, so that rent can not be reduced under Single Tax but must be increased.

Why should we, by constitutional amendments, deprive ourselves of the taxes on classes 2, 3, 4, 5 and 6, five important resources of revenue, when Nation, state and city are ever searching for additional sources of revenue? Why repeal the constitutional limitation on rates of taxation? Why close, bar and seal the door of hope for holding down the tax rate?

Single Tax would not stimulate building in cities, because the increased tax would have to be met in the form of an increased charge. This increased tax would be far in excess of the present amount of taxes now paid, on ground and building, plus the interest on the money necessary to buy the land.

The demands of state, county, district and city are inexorable; they must be paid. If, for any reason, the owner of a building should be deprived of his income, (by loss of tenants or otherwise) it would be but a question of time when he would lose his property from this largely increased burden under Single Tax, losing both his lot and his improvements. This would make investment in improvements extra hazardous.

/ Agriculture would not be benefitted by confiscating to the state's use, the rent of land and the destroying of the invested interest in land; for, while it is true land cannot be removed from the state, the farmer can (and no doubt would) leave the state and go to where he could and would receive all that he now receives, which is all that the land will produce. Therefore, agriculture will not be benefitted.

✓ Manufacturing would not be benefitted within the state, because manufacturing depends upon prosperity, and agriculture is the foundation and source of prosperity.

✓ The cost of living cannot be cheapened by increasing the taxes on an industry (agriculture) which produces the necessities of life.

✓ Therefore, rent would be increased instead of decreased, improvements would be retarded rather than encouraged, agriculture would be enslaved rather than benefitted, manufacturing would be handicapped instead of stimulated, the cost of living would be increased instead of decreased under Single Tax, while at the same time this iniquitous, treasonable and cruel Single Tax would surely and certainly result finally in confiscation of land which would mean, to many thousands of our people, the loss of the net earnings and rainy-day-savings of a life time. All of this loss and sorrow and trouble resultant from Single Tax would come without any corresponding benefit to the people—the only persons who would be benefitted would be a few Shylocks and misers.

If neither agriculture, manufacturing, improvements or renters are to be benefitted, if the cost of living is to be increased, and at the same time billions of dollars of wealth of a large number of our citizens would be destroyed, without any corresponding benefit to the rest of the citizens of the state, confiscation of land is, therefore, a fool, fanatical and robbing proposition and "Fool, Fanatic and Robber" should be branded on the epidermis of those advocating Single Tax, and they should be either restrained from running at large or be driven to the desert and allowed to die.

Atlantic Monthly. 13: 27-37. January, 1914.

Case Against The Single Tax. Alvin Saunders Johnson.

Land-values in the United States are conservatively estimated at fifty billion dollars—not much less than one half of the total private wealth of the country. The value of agricultural lands represents about three fifths of this vast sum. The remaining two fifths covers the value of mines and forests, railway rights of way, water-powers, and urban business and dwelling sites. The earning power attached to these land-values must amount to between two and two and a half billion dollars annually. This is practically one tenth of our aggregate private incomes, and, if appropriated by the state, would cover adequately all our public needs; provided, of course, that the public can manage the lands as efficiently as they are now managed by their private owners.

The farm lands of the United States are worth thirty billion dollars, exclusive of all improvements. Two thirds of these lands are owned by their cultivators, who number four million, and whose holdings average five thousand dollars in value. Men of this class are neither very rich nor very poor; few of them have wealth, including land and chattels, valued at less than five thousand or more than a hundred thousand dollars. The remaining third of the farm lands is cultivated by tenants. The owners are of many different classes: active farmers who have acquired lands at a distance; retired farmers; the business and professional men of the towns and villages who have purchased farms as a secure investment or as a retreat in old age. In the newer sections, where agricultural land may be expected to advance rapidly in price, there are a few very large estates; but this condition is everywhere recognized to be transitional. Farm lands cannot normally be a favorite investment with men of great wealth.

Practically the entire body of our agricultural lands, then, is in the possession of the middle class. City and town lands are not so widely distributed. As an instance of concentration of ownership, we have the Astor estate, which looms mountain-high in Single-Tax discussion. We have other large fortunes in city realty. Nevertheless, not more than fifteen per cent of our millionaires have the bulk of their fortunes invested in land. Despite the evidences of concentration in New York and a few

of our other largest cities, we are justified in regarding urban land as prevailingly a middle-class investment. Mines, forests, water-powers, and railway rights of way are held, as a rule, by large corporations; and while there are many instances of the wide distribution of their shares, we may safely assume that the majority interest is held by the very rich.

As the foregoing review indicates, the greater part of the land-values which it is proposed to confiscate is the property of the middle class. Middle-class holdings cannot possibly be less than three fifths of the total, and may conservatively be put as high as four fifths of it.

Not only is it true that land is prevailingly a middle-class investment, but it is also true that it is probably the chief element in the property of this class. Men of moderate means own between thirty and forty billion dollars' worth of land; it is highly improbable that they own an equal amount of wealth in other forms. And current economic forces are increasing the dependence of the middle class upon the land. Industrial concentration is rapidly transforming the small business man into a shareholder and an employee. As a shareholder he sees his holdings shrink or expand under market influences which he cannot so easily forecast as can the man of large wealth. Stocks which he has purchased at high prices in a period of inflation of values he is likely to sell at low prices in a panic, thus forfeiting a part of his possessions to the men who are in a better position to meet fluctuations than he. Land, on the other hand, is more easily managed in small parcels than in large. There are no terrifying fluctuations in its value. It is, moreover, not a sufficiently productive investment to tempt men of large means. Accordingly it is the one investment that the middle class can hold against the encroachments of the rich. Indeed, the rich cannot hold it against the middle class, except through the powerful traditions of an ancient landed aristocracy, forfeited, at times, by legal institutions, such as entail.

It has been urged by Single-Taxers that the relief from other forms of taxation which would follow upon the introduction of the Single Tax would amply compensate the man of modest means for the loss of his land. This contention obviously involves an astonishing overestimate of the burdens of ordinary taxation. All taxes, other than those on land, aggregate less than

one half of the land-rent enjoyed by the middle class. And of these taxes, not more than a third falls upon the middle-class landowners. This class cannot therefore recover, in the way of relief from ordinary taxation, more than one sixth of the loss imposed upon it by the tax.

It is true that the middle-class land-owner bears, in addition to ordinary taxation, the burden of high prices resulting from the protective system. This burden, however, is the price which the American people chooses to pay for an acceleration of the rate of industrial development. Protection is no essential element in the existing financial order; any financier could devise for the United States a revenue system containing no element of protection, which would be both adequate and economical. And any protectionist could devise restraints upon foreign trade even under the Single Tax. There is accordingly no escape from the conclusion that all that the Single-Taxers can honestly promise the middle-class landowner is a relief of one dollar in taxation for every six dollars of income confiscated.

The Single Tax is, then, essentially a device for the spoliation of the middle class. In justice to the adherents of the doctrine, however, it must be said that they are not, as a rule, aware of this fact. Few of them have ever made any effort to ascertain the existing distribution of the property which they seek to confiscate. Those who do recognize the facts of the distribution of landed property hold nevertheless that the gains to society at large will be sufficient to cover all costs. The poor, they urge, will gain what the middle class loses.

If the poor are to benefit from the Single Tax, it must be either through a reduction in the cost of living or through a rise in wages. The removal of the custom and excise duties would doubtless reduce the price of many articles of consumption. We should still, however, have carriers charging what the traffic will bear, and producers and retailers working under gentlemen's agreements. These, we may assume, would absorb no small part of the slack created by the remission of duties. Whatever benefit came from the abolition of the duty on hides, under the Payne-Aldrich act, was wholly absorbed before it reached the buyer of shoes. The remission of the special taxes on tobacco, after the Spanish War, had no perceptible effect on retail prices. Not increased wages, but increased money profits,

would be the most prominent effect of the Single Tax. That this would be the probable result will appear to any one who will put the problem in its simplest terms. An annual income of two billion dollars is to be torn from the grasp of the middle class. There is no automatic device for distributing this splendid spoil; the very poor and the very rich will have to strive for it. Who will get it?

The foregoing analysis will appear to the convinced Single-Taxer as both unfair and inadequate, in that it is confined to conditions as they are, and takes no account of the wrongs of the past and the possibilities of the future. Whatever class holds the land now holds unjustly, according to the Single-Taxers. And whatever class may have to be despoiled, its present pains are of no weight when set against the infinite future advantages of a society freed from the burden of parasitism.

We may ignore the contention that land cannot properly be private property because its value is not traceable to labor. Attempts to reduce values to a labor basis can lead to only one conclusion: communism. The Single-Taxers count themselves formidable antagonists of Socialism, and cannot afford to coquet with the labor-property premise. Furthermore, we need not trouble ourselves with the fact that many land-titles have originated in force or in usurpation. Too many other titles have originated in similar processes, and the common sense of mankind admonishes us that all social justifications lie in the future, not in the past. The kernel of the Single-Taxers' attack upon land-values lies in the idea that such values are unearned. And this means either that they have been acquired with less than normal effort and sacrifice, or that such efforts and sacrifices as have been directed toward their acquisition have been barren of results useful to society.

It is a widely prevalent belief that investments in land have been exceptionally profitable in the past. On our own frontier, lands were secured from the government at a very low price, or perhaps for only a nominal fee. Such lands have risen steadily, and it is natural to suppose that these advances in value have placed their fortunate possessors in the position of a privileged class. The landowners, according to a common formula, have enjoyed two incomes: the rent of their land, and the advance in its value.

If this view were just, it would be hard to account for the fact that in a new agricultural community it is not the landowners, with their two incomes, who attract attention by their rapid accumulation of wealth, but the bankers, the grain and stock-buyers, the grocers and lumber-dealers, men who have to content themselves with the single income of profit. What the landowners have received is a dual income, not a double one. If we have found business men willing to invest their capital in trade and industry, the only satisfactory explanation of the fact is that they believed that the annual profits of enterprise are superior to all the gains from land. And this, no doubt, is the rule. As a consequence of the universal belief that land-values will rise, land is commonly overcapitalized. Men establish themselves in unsettled regions long before general economic conditions afford them a return commensurate with their toil and privations; after many years of waiting they sell their holdings at prices which are seldom an adequate reward for their own labors. Nevertheless, these prices are almost always in excess of the capital value of the annual returns from the land. The buyers look to the "unearned increment" to recoup them for the loss of income involved in tying up their capital unproductively. From a personal point of view, the "unearned increment" consists of the wages of pioneering together with interest on capital sunk in the price of the soil. Both the wages and the interest are, as a rule, below the normal rate. Pioneers and buyers of land are not of our shrewd business men, but are persons of modest means, who, like the land reformers, vastly overestimate the profits of landed investments.

It is of course true that many instances may be cited of astonishing advances in land-values. Every one knows of city lands that have doubled in value in a single year. Sometimes such advances are confined to particular districts, affected by new public improvements; sometimes they are fairly uniform throughout a city, as in a "boom town" of the West. It may be a wise policy to make such chance gains contribute to the public treasury, just as it may be a wise policy to place a tax upon other abnormally successful speculative transactions. There is, however, no need of invoking the Single Tax in support of such a policy. It finds abundant support in the accepted theories of finance.

Recognition of the fact that excessive speculative gains do occasionally appear in the real-estate field should not, however, lead us to the conclusion that all advances in real estate are of such character. On much the greater part of our lands, urban as well as agricultural, the "unearned increment," together with the rent, is hardly sufficient to make up a normal return on the capital invested in the land. If, then, there is a reason for taxing away the future "unearned increment," that reason does not consist in the fact that the landowners form a privileged class.

It can hardly be denied that the landowners as a class have acquired the values in their possession at a cost in labor and sacrifice fairly comparable with those who have been rewarded by property of equal value in other forms. If, however, no one has been willing to incur the sacrifice necessary to acquire a grist-mill, we should have had no grist-mills. If no one had ever incurred sacrifice to acquire title to land, should we not still have the land? It is such a comparison as this that leads to the frequent assertion that the private ownership of land exercises no useful social function.

The issue looks simple, at first sight. Private enterprise made the mill; private enterprise did not make the land. But the contrast is fallacious. A wilderness, however fertile, is of no social significance. The land that serves as the foundation of our economic life is the land under the plough or in meadow or pasture, and rendered accessible to markets by highways, canals, and railroads. If we had administered our lands from the beginning according to Single-Tax principles, when would our western forests have been cleared, our prairies transformed into fields of wheat and corn? Not in decades, but in centuries.

There was a time when the typical American pioneer sought land that was free, in the true sense of the term—land which he might use as long as he pleased and abandon at a whim. This man did not seek values, nor did he produce them. He cleared the land of game and Indians, and made easier the path of the economic pioneer, the man who put the land under cultivation and made it yield its fruits, not for his benefit alone, but also for the more thickly settled East and for the countries of Europe. The economic pioneer was in search of a fortune. He would not have been content with the prospect of bare wages, in the form

of the raw products of the soil. For the frontier never yielded wages commensurate with its hardships.

It was not free land, but land that was certain to rise in value, that attracted the millions of men from our own East and from Europe to the edge of civilization. The transformation of the Western wilderness into an empire of farms was the work of the "unearned increment." One who wishes to see the unearned increment performing a similar work to-day has only to visit the Canadian Northwest. What has induced the hundreds of thousands from our own comfortable and prosperous Middle West to cross the border and quarter their families in pine shanties on the blizzard-swept plains? The lure of the unearned increment. Lands purchasable at ten dollars an acre which may be expected to rise to fifty dollars.

If the Single-Tax principle had been in operation from the beginning of our history, what would have been the course of our Western development? With the state as universal landlord, all that the West could have promised the settler would have been the wages of his labor. To compensate for all the sacrifices involved in pioneer life, the wages would have had to be made very high. And this means that the opening of new lands would necessarily have waited upon the time when the pressure of population in the older centres and the increasing miseries of the poor should expel some of their number to the frontier. Under such a condition of development, Kentucky would doubtless still be a dark and bloody ground, and the Ohio forests a haunt of outlaws. Buffaloes would still range the Louisiana Purchase, and the Canadian Northwest would remain for several centuries to come an asset of the Hudson Bay Company. Slavery would still be the most prominent feature of our social system, and our greatness as a nation would be a matter for future ages to achieve.

It was the unearned increment which opened the West and laid the basis for our present colossal industrialism. It was the unearned increment which created a vast surplus of food-products and raised the curse of periodic famine from Western civilization. The exuberant fertility of the Mississippi Valley lifted millions of men from poverty and quickened the life of the whole Occident. There are, of course, those who will say that this was not worth while; that human life was more satis-

lying under the ancient condition of well-defined classes, some secure in their superiority, others inured to their lot. Such considerations lie entirely beyond the scope of the present paper. All that is necessary for our purpose is to indicate that the unearned increment—that supposedly functionless element in our distributive system—has played an extraordinarily active part in building up our modern industrialism.

If the unearned increment has already completed its work, it is, perhaps, the natural prey of a state which recognizes neither vested interests nor the claims of past services to present rewards. Ethical and political reasons for opposing the confiscation of land-values may still persist; but the principal economic ground for opposing such a policy falls away if the unearned increment is now socially inert. If our lands will be as well cultivated, our cities as rapidly improved, under the Single Tax as they are under existing conditions, we cannot say that the proposed confiscation is economically indefensible.

American agriculture is not yet ready to dispense with the unearned increment. Our four million independent farmers represent the more intelligent, the more efficient, and the more provident of our rural population. Able men among the tenants and the hired laborers are only transiently in those classes: their qualities destine them to become independent farmers. Now, what are the annual earnings of the independent farmer? On an average, \$600. This sum, which is less than the city laborer of equally good economic quality earns with his bare hands, includes not only the reward of the farmer's labor, but interest on a capital, in land and improvements, averaging \$7500. What wonder that there is a steady movement of the rural population to the cities? The fact to be explained is that the movement is not universal.

And the explanation is to be found in the unearned increment. To his meagre \$600 of money income the independent farmer adds the increase in the value of his land. This item he usually overestimates, and thus makes out of it a powerful motive for remaining on the land, producing wheat and meat for the consumption of the cities. However high the present prices of food may seem to the city-dweller, they are not so high as they would be if agricultural products were not, in large measure, a by-product of the unearned increment.

Increase in the value of land cannot continue indefinitely to supplement the farmer's income. In parts of the East lands have already ceased to rise. Those are the regions of the abandoned farms. In parts of the Middle West lands, while still rising slowly, are approaching a stationary level. Those are the regions from which the most enterprising men are emigrating to Canada, where the promise of unearned increment is still rich. Sooner or later practically all our lands will cease to rise. When we shall have attained to this condition the money returns to labor, and capital in agriculture will have to be made equal to wages and interest in the cities. Or rather, agricultural returns must be made superior to those attainable in the cities, to compensate for the isolation and monotony of rural life. This readjustment will be effected through advancing prices of agricultural products and through restricted opportunity in the cities.

If we desire to enter at once upon this process of readjustment, we have only to enact the Single Tax. The more enterprising of the agricultural population, despoiled of their property and of an essential part of their income, will cease to produce food for the city laborers, and will enter into competition with them for jobs. What will follow is easy to forecast: increasing misery in the cities, advancing agricultural prices, and, in the end, a new equilibrium. Yet the Single Tax has been seriously advanced as a sure means of alleviating poverty.

✓ In recent years the Single-Taxers have concentrated their attacks upon urban land-values. These, they assert, are purely parasitic and act as a dead weight upon building operations. The grasping landlord, according to this doctrine, is ultimately responsible for the congestion of the slums, and hence for much of the vice and crime of the city. The population of the metropolitan district of New York is increasing at the rate of two hundred thousand a year. Every person in this vast army contributes something to land-values. In what way have the owners of land earned this additional value? Certainly, there appears to be ground for the charge of parasitism.

If the new values distributed themselves uniformly among passive landowners, the charge of parasitism would hold. They do not, however, distribute themselves uniformly. Competing landowners are forced to struggle for them; and the struggle is not barren of social gains. There are clearly defined currents

of life and business in the metropolitan district, and no man can forecast with certainty the direction they will take. But if provision is to be made for the housing of the new population and for the accommodation of the new business, many builders must stake their money upon their guesses as to the future direction of the currents. Otherwise the city would suffer chronically from an intolerable congestion.

Those whose guesses prove correct find their buildings occupied at high rents, or salable at prices in excess of costs. This means that an "unearned increment" attaches to the site, since building capital itself can hold abnormal value. Those who have guessed wrong must content themselves with "writing off" a part of their capital. Now, it is proposed by the Single-Taxers to appropriate to the state the fruits of building speculations that prove successful, while leaving to private enterprise the fruits of unsuccessful speculations. And on such a basis they expect a "boom" in building.

There is no difficulty in predicting the results of such a policy. Men would build only after it became practically certain that their buildings would be in demand. Construction would follow increase in population, instead of anticipating it, as at present. The evils of over-building, of which real-estate journals so frequently complain, would be effectually controlled. But these are not the evils which chiefly oppress the tenant class and harass the city reformer.

It is well known to everyone conversant with the facts of realty-promotion that it is in the "boom towns" and the active sections of a large city, where land-values are rising rapidly, that over-building most frequently occurs. Whence, then, do the Single-Taxers derive their doctrine that advancing land-values not only do not hasten the progress of improvement, but actually retard it? Not from observation, but from theory. And they may justly demand that their contentions be met on a rigorously theoretical ground.

The Single-Tax theory premises vacant land advancing in value at a rate corresponding to normal interest on an equivalent capital investment. Why should the owner of such land improve it? Most of the vacant land in cities is actually increasing in value at such a rate—a fact that is logically deducible from the accepted principles of real-estate valuations. Now, have

we not here an explanation of the fact that thousands of parcels of land in our cities are held unimproved, while in certain other quarters of the same cities human beings are packed ten in a room? The Single-Taxers assert that we have.

If, however, we examine the matter closely, we shall see that while there is nothing to compel the owner of such land to improve it, he can afford to do so the moment that prospective rentals will cover interest on his building capital alone. And there is no conceivable state in which he can afford to improve if the rentals will pay less than this. He cannot do this even if the land is free, without selling-price or rent. The Single Tax therefore cannot produce a state more favorable for building than that which exists where the land is rising at the rate we have assumed.

If a builder must buy land which is not rising, he cannot afford to build unless prospective rentals will pay interest on his land investment as well as on his building investment. If he builds on ground leased from a private person or "single-taxed" by the state, he must extort from his tenants rentals covering both the ground-rent and interest on his investment.

The Single-Taxers, it is true, promise immunity from taxation of the building; and where the value of land is low, this immunity would be a sufficient offset to the "unearned increment" of which they would deprive the builder. Where the land-value represents a large part of the total investment, as in most of our cities, the offset would be insufficient. An honestly administered Single Tax could not produce conditions so favorable to building as now exist wherever land-values are rising rapidly.

It is almost a waste of time to inspect the Single-Tax project for destroying the slum. It is the value of land that forces the city builder to occupy every possible foot of ground space, to pile story above story, to subdivide each story into the smallest apartments and rooms that can be tenanted by living man. It is a matter of indifference whether the value of land takes the form of a capital sum, as is now commonly the case, or of an annual rental, an occasional form now, which would be universal under the Single Tax. The reasons for economizing ground space are the same in either case; except that the Single Tax promises immunity from taxation on the building and so would offer an inducement to covering still more of the ground space,

and pushing the stories still higher toward the sky. The Single-Taxers propose, then, to relieve urban congestion by means which would increase the number of persons to be sheltered by each unit of roof.

Private property in land, as we have seen, serves an important purpose in production, so long as land-values continue to advance. Such advances cannot continue forever. The time will come when agricultural land will bear a constant value, based upon its annual productive capacity. The cities, too, will in the end reach the limit of their growth, and an unearned increment will no longer attach to site-values. When such a time comes, there will be no good reason why the state should not become the universal landlord, provided that it has evolved to the point where it can manage so colossal a landed estate more efficiently than can private landowners. Just as there will be no good reason why the state should not take over the railways, mines, and industries of the nation as soon as it is able to administer those enterprises more effectively than private business men. It may be noted in passing that the administration of the land, under a tenant system, would represent a heavier task for the state than the administration of railways, mines, and industries combined.

Let us assume, however, that the state is ready to take over its landed domain. Should this be effected through confiscation, as the Single-Taxers propose, or through purchase? The purchase of the land may be rejected as impracticable. For the present price represents not only the capital value of its rent, but also the anticipated value of all the unearned increments of the future. The net revenue that the state would secure from its lands would probably never equal the interest on the public debt created in the process of acquiring the land.

If the lands are to be confiscated, the act must be justified by its social consequences. What these would be is already sufficiently clear. The proposed land reform would deprive the middle class of its chief possession: the possession on which its economic independence mainly rests. And this would mean, practically, the elimination of the middle class as a political factor.

It was Aristotle who first pointed out the dependence of political stability and personal freedom upon a powerful middle class. To the present day no authority on political science has

arisen to deny the existence of such a relation. It was the middle class of England that established constitutional liberty. It was the middle class that destroyed the *ancien régime* in France and laid the foundations of a liberal state. Our own Constitution is essentially a middle-class document, and it is the middle class that defends it against attack.

We may contrast our confidence in the stability of our own liberal institutions with our skepticism of attempts to introduce similar institutions in countries in a different stage of social development. It is hard to believe that constitutionalism can be more than a name in Russia and Turkey, or that democracy in Mexico can signify anything but a cloak for force. It is not that we doubt the political capacity of Slavs and Moslems and Mexicans. But those nations lack the chief prerequisite of political freedom and order: a vigorous middle class.

Not all will agree, it is true, that the liberal régime is the best conceivable political order. The Socialists are especially violent in their attacks upon it. And every Socialist recognizes that constitutionalism and free enterprise are bound up with the fortunes of the middle class. Eliminate the middle class, and there will remain no serious obstacle to the progress of Socialism. Accordingly, it is difficult to understand the impatience which the Socialist usually manifests toward the Single-Taxer. The latter, indeed, is not a Socialist, but he is laboring valiantly to produce the conditions under which alone Socialism has any chance whatsoever of success. Transform our four million independent farmers into tenants of the state; despoil an equal number of our middle-class townsmen of their one solid possession, and the expropriation of the remaining private owners of property will be easily accomplished. Despite the sentimental antipathies of their respective adherents, then, the Single Tax and Socialism are closely related. Their relation is that of means and end.

Seligman, Edwin R. A. *Essays in Taxation.*

Chapter III. The Single Tax.*

The General Theory

The general economic theory on which the demand for the Single Tax is based may be summed up in a few words. Land is the creation of God; it is not the result of any man's labor; no one, therefore, has a right to own land. Increase in the value of land is due mainly to the growth of the community; like the land itself, it is not the result of any individual effort; it is an unearned increment which properly belongs to society. Moreover, private property in land is undoubtedly the cause of all social evils. It therefore becomes the duty of the government to take what rightfully belongs to the whole community. Every one may still retain the result of his own labor; but the value of the bare land, the economic rent, must be taken for the state. In this way, and in this way alone, can the social problem be solved.

In order to attain a basis for this discussion, it is necessary to allude to the two fundamental doctrines on which the plan is founded. The first is the underlying theory of private property; the second is the theory of the relation of the individual to the public purse.

In the first place, the Single Tax theory of property is the labor theory—the theory that individual human labor constitutes the only clear title to property. It would be interesting, were there space, to trace the genesis of this doctrine. The Romans, as is well known, had an entirely different theory—the occupation theory, based on the right of the first occupant. Against this rather brutal doctrine, which in the early middle ages paved a way for intolerable abuses, the philosophers advanced the labor theory, hoping thereby to bring about a reform in actual institutions. The labor theory went hand in hand with the doctrine of natural rights, which was the result of an earnest attempt to abolish the abuses of the *ancien régime*, and which came to a climax in the eighteenth century. Modern jurisprudence and modern political philosophy, however, have incontestably proved the mistake underlying this assumption

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of natural law or natural rights. They have shown that natural law is simply the idea of particular thinkers of a particular age of what ought to be law. These particular thinkers, indeed, often influence the social consciousness, as they in turn are influenced by it, so that natural law may be called law in the making. But at any given time it represents simply an ideal. Whether that ideal will approve itself to society depends on a variety of circumstances, but chiefly on the question whether society is prepared for the change. Just as the modern method of jurisprudence is the historical method, so also the modern theory of property may be called the social utility theory.

The social utility theory says that just as all law, all order and all justice are the direct outgrowths of social causes, and just as private ethics is nothing but the consequence of social ethics, so private property is to be justified simply by the fact that it is the last stage of a slow and painful social evolution. At the outset, property, and especially property in land, was largely owned in common. It was only through the gradual progress of economic and social forces that private property came to be recognized as tending on the whole to further the welfare of the entire community. The social utility theory does not, of course, mean that what has once been must always be. It is not a reactionary doctrine which looks upon all that is as good. It simply maintains that the burden of proof is always upon the party urging the change; and that when the change advocated is a direct reversal of the progress of centuries, and a reversion to primitive conditions away from which all history has travelled, the necessity for its absolute proof becomes far stronger. The nationalization of land is a demand which, in order to win general acceptance, must be based on theories independent of the doctrine of natural rights.

Even though we accept the theory of natural rights, we need not therefore accept the Single Tax. If it be said that the value of land is wholly the work of the community, and that therefore every one has a natural right to it, how can we logically deny that the value of any so-called product is, at least partly, the work of the community? Mr. George bases his defence of private property in commodities other than land on the labor theory. Yet individual labor, it may be said, has never by itself produced anything in civilized society. Take, for example, the workman

fashioning a chair. The wood has not been produced by him; it is the gift of nature. The tools that he uses are the result of the contributions of others; the house in which he works, the clothes he wears, the food he eats (all of which are necessary in civilized society to the making of a chair), are the result of the contributions of the community. His safety from robbery and pillage—nay, his very existence—is dependent on the ceaseless co-operation of the society about him. How can it be said, in the face of all this, that his own individual labor wholly creates anything? If it be maintained that he pays for his tools, his clothing and his protection, it may be answered that the landowner also pays for the land. Nothing is wholly the result of unaided individual labor. No one has a right to say: This belongs absolutely and completely to me, because I alone have produced it. Society, from this point of view, holds a mortgage on everything that is produced. The socialists have been in this respect more logical; and that perhaps explains why the movement to which Mr. George gave such an impetus in England and elsewhere is fast changing from one in favor of land nationalization into one for the nationalization of all means of production. The socialists, indeed, as well as Mr. George, are in error, because the premises of each are wrong. It is not the labor theory, but the social utility theory, which is the real defence of private property. But if we accept the premises of the Single-Taxers, we are inevitably impelled to go further than they do. The difference between property in land and property in other things is from the standpoint of individual *versus* social effort simply one of degree, not of kind.

The other fundamental doctrine of the advocates of the Single Tax is the theory of benefit,—the doctrine that a man ought to contribute to public burdens in proportion to the benefits that he receives. The theory is that, since the individual gets a special advantage from the community in the shape of unearned increment he ought to make some recompense. To this contention, two answers may be had: first, that the benefit theory of taxation is inadequate; and second, that, even if it were true, it would not support the Single Tax. Let us take up these in turn.

The payments made by the individual to the government are exceedingly diverse in character. Where the government acts simply as a private individual, in performing certain services for

the citizen, the payment is a price. The government does something; the individual gives something. Again, even after common interests have developed, the individual may ask the government to do some particular thing for him, to confer some privilege upon him. He may wish to get married or to run a cab. For this particular privilege it is perfectly proper that the government should make a charge—known in modern times as a fee or toll. Again, the government may be at considerable expense in laying out a new street, the result of which will be to enhance the value of a particular plot of ground. There is then no reason why the government should not demand that the owner of this plot should defray, at all events in part, the cost of this improvement. This is called special assessment. In all these cases the individual receives an undeniable, special benefit as the result of a special expenditure made by the government. The principle of give and take, therefore, is applicable.

On the other hand, there are certain actions of the government which interest the whole community, and from which the individual receives no benefit, except what accrues to him incidentally as a member of the community. If the government undertakes a war, no one citizen is benefitted more than another. If the government spends money for cleaning the main thoroughfares, for erecting tribunals, or for patrolling the city by police, it cannot be claimed that any one individual receives a measurable, special benefit; all are equally interested in good government. When payment is made for these general expenditures—and such a payment is called a tax—the principle of contribution is no longer that of benefits or of give and take, but of ability, faculty, capacity. Every man must support the government to the full extent, if need be, of his ability to pay. He does not measure the benefits of state action to himself first, because these benefits are quantitatively unmeasurable; and secondly, because such measurement implies a decidedly erroneous conception of the relation of the individual to the modern state.

The principle of benefit, moreover, would lead us into the greatest absurdities. If we accept it, we must apply it logically; we must not restrict its beneficent workings to the landowner. The poor man, according to the theory of benefit, ought to be taxed more than the rich, because he is less able than the rich man to protect himself. Ability to pay is not only the ideal basis

of taxation, but the goal toward which society is steadily working. It lies instinctively and unconsciously at the bottom of all our endeavors at reform. When we say that indirect taxes are on the whole unfair to laborers, we mean that they are less able than the wealthier portion of the community to pay the tax. When we say that a corporation with large receipts should pay more than one with small receipts, we do so because we know that its ability to pay is greater. The principle of privilege or benefit is, therefore, not the basis of taxation. It is the principle away from which all modern science and progress have been working. It is founded on a false political philosophy, and it can result only in a false political economy.

But even if we accept the principle of benefit or opportunity, it will not justify the demand for the Single Tax. This question however, is so intimately interwoven with the problem of the justice of the Single Tax that we shall discuss it a little further on under that head.

Fiscal Defects

One of the great aims of every sound financial system is to bring about an equilibrium of the budget—that is, to avoid a surplus as well as a deficit. Now, while many taxes may be suddenly lowered, not many of them can be made to give a suddenly increased yield. One of the cardinal principles of taxation, therefore, is elasticity, in order to secure which requires two conditions. In the first place, the source from which the tax is derived must be of such a nature that an increase of the rate will always mean an increase of the yield. There should be in the source of taxation a reserve power which can be drawn upon in case of need. Secondly, the revenue should be secured from a number of objects, so that the shrinkages or deficits temporarily due to the one class may be made good by the increase or surplus revenues of the other class. Among the elastic taxes is the income tax, and it is well known that in English finance one of the chief functions of this income tax is to preserve the equilibrium of the budget. So again, certain taxes on commodities are often utilized for this purpose. The Single Tax on land values, however, is bitterly inelastic; for since, according to the theory of its advocates, the total rental value is to be taken from the

landowners, the Single Tax cannot be increased. Where nothing has been left, nothing more can be taken. In the case of an emergency there would, therefore, be no possibility of increasing the revenues. Even if the total land value were not taken, it would still remain true that a direct tax on the unimproved value of land is far more inelastic than other taxes; for when the supply is constant and the price is fixed only by conditions of demand, the selling value as well as the rental value is subject to far more fluctuations than in commodities where the supply may be diminished at pleasure. Furthermore, as we have seen, a Single Tax of any kind, whether on lands or on anything else, would be less elastic than a system of taxes where one may be played off against the other. Lack of elasticity is a serious defect in the Single Tax.

Another fiscal weakness of the Single Tax is that it inevitably intensifies the inequalities resulting from unjust assessments. We all know how difficult it is to carry out laws which provide for equal assessments. Under the real estate tax in the United States, for example, the assessors are usually sworn to rate the property at its actual or selling value, and the selling value of a piece of land or of a house is comparatively easy to ascertain; yet it is notorious that in no two counties, nay even in no two adjoining pieces of property, is the standard of assessment the same. Thus the report of the Iowa Revenue Commission of 1893, states that realty in Iowa was assessed at from seventeen to sixty per cent of the true value. It is well known, too, that in the city of Chicago adjacent plots of real estate are assessed at percentages of ridiculously varying degree. Now, it is manifestly not so easy to assess the land values,—that is, the bare value of the land irrespective of all improvement,—as it is to assess the selling value of a piece of real estate. For instance, an acre of agricultural land near a large town may be worth \$200; but if used for truck-farming, considerably more than \$200 may have been expended on it during the last century or two. Who can tell how much of the \$200 present value is the value of the bare land and how much is to be assigned to the labor expended? Under the present method we have at least a definite test—the selling value; under the new method we should have no test at all. There is every likelihood, therefore, that the diffi-

culties of the present situation would be intensified. Moreover, under the present system, inadequate as it is, there is always a chance that the imperfect enforcement of a particular tax law will be offset by the assessment of other taxes, direct or indirect. Under the Single Tax not only would there be more difficulty than at present in making the original assessment, but the inequality of the assessment, which is inseparable from all democratic methods, would be seriously intensified by the very fact that it is a Single Tax.

Political Defects

The adoption of the Single Tax means the total abolition of all custom houses and import duties; it means that there can be no such thing as a system of protection to home industry. Many would, it is true, favor the Single Tax precisely on this account; but there are some self-styled "Single-Taxers" who believe that as a matter of national policy there is a justification for import duties. Whatever we may think of the economic justification of import duties, it must be recognized that they may sometimes form an important political weapon. It is clear, however, that leaving the question of protection entirely aside, the adoption of the Single Tax will make it impossible to utilize import duties for political, fiscal or other purposes.

In the second place, the adoption of the Single Tax would render it impossible for governments to utilize the taxing power as a political or social engine in any other way. For instance, the United States government now imposes a tax on the circulation of state bank-notes in order to bring about certain desirable results in the currency situation. Under the Single Tax this would be impossible. Again, the United States government levies a high tax on opium, not for the purpose of revenue, but in order to discourage the consumption of opium; and it also assesses a tax on oleomargarine, primarily in order to ensure the purity of butter. Under the Single Tax, all such efforts would be impossible. Finally, to mention only one other example, one of the chief methods of dealing with the drink question is through the imposition of high liquor licenses, the fiscal importance of which is only secondary. Under the Single Tax we should be prevented from attacking the problem in that way. Governments have always made use of the taxing power to regulate and to destroy, as well as to yield a revenue. Were the

Single Tax to be adopted, this salutary power would be entirely taken away.

Thirdly, the political results of the Single Tax would be dangerous in another way. So far as there is any truth in the assertion that in democracy it involves some risk for a small class to pay the taxes and for a large class to vote them, it is especially applicable to the Single Tax. Since the "unearned increment" would flow of itself, silently and noiselessly into the treasury, there would be no need of a budget; and the sense of responsibility in the citizens would be perceptibly diminished. It is well known that liberty has been intimately bound up with the contest against unjust taxation; the constitutional history of England is to a large extent a history of the struggle of the people to gain control of the treasury; the American Revolution was precipitated by a question of taxation; the French Revolution was brought about primarily by the fiscal abuses of the *ancien régime*. To take away, then, from the vast majority of citizens the sense of their obligation to the government, and to divorce their economic interests from those of the state, would, especially in a democracy like that of America, be fraught with serious danger.

Ethical Defects

The advocates of the Single Tax love to base their arguments on the ground of justice. In this they are certainly wise; for even though all other arguments were in its favor, if the justice of the Single Tax could be successfully impugned it would be foredoomed to failure. Let us then ascertain whether it is indeed true that the Single Tax is an equitable method of taxation.

The two great canons of justice in taxation are universality and uniformity or equality. If anything has been gained by the revolutions of the eighteenth century and by the growing public conscience of the nineteenth, it is a recognition of the fact that all owe a duty to support the state, that a system of wholesale exemptions is iniquitous, and that all taxpayers should be treated according to the same standard. Judged by any or all of these tests, can it be seriously maintained that the Single Tax is an equitable form of taxation?

We have seen that the theory of natural rights is not ade-

quate; we have learned that the principle of opportunity does not correctly portray the relations of the individual to the state. Even if the theory of unearned increment were true it would not by any means justify the Single Tax on land values. In the first place, land values do not always or necessarily increase; and, secondly, there are a great many other values which do increase, and which increase mainly by the operation of forces which the owner of the property neither creates nor controls.

Land values do not always or necessarily increase. Thus, in the testimony given before the Rapid Transit Commission in the city of New York in March, 1895, one of the witnesses spoke of several long avenues being lined with the graves of property-owners. What did he mean? Simply that ten, or twenty, or thirty years ago, certain individuals had invested in the land, in hopes of a rise in value, just as people invest in bonds or stocks or other securities. Instead of values rising, however, they remained stationary or even decreased; while, in the meantime, the accumulated taxes and assessments upon this non-productive property completely ruined many of the investors. It is indeed true that in most growing cities land values in certain localities will increase; but it is equally true that there are always sections in such cities where, for obvious reasons, land values decrease. These facts are familiar to all observers in large cities. Moreover, in some European countries the rental value of the land, as a whole, is less to-day than it was a few decades ago. The tax on land value would there yield only a precarious revenue, since there has been no unearned increment, but a decrement.

More important still is the fact that even though land values often increase, similar increase in value is not by any means confined to land. Let us ask any one whose mind is not befogged by the mist of erroneous enthusiasm: Who are the rich men of the world to-day? How has by far the greater part of our huge individual fortunes been acquired? Let us study the way in which men have become millionaires, especially in the United States. The usual cause is some fortuitous conjuncture of events, some chance happening due to no one's labor, but to a turn in the wheel of fortune—call it speculation, call it luck, call it by any name we will. How have most of the fortunes in Wall Street been made? Who is responsible for the increased

value of investments? Who can say that the successful manager of the ring, the corner, the pool and the trust has worked out his salvation through his own industry? Land speculation is only a part, and a very small part, of the sum total. If it be claimed that the fortunate speculator deserves his fortune because of his sagacity and foresight, why deny these attributes to the land-owner? It can, of course, not be denied that wealth has been acquired by thrift and industry; but it remains true that most of the very large fortunes that strike the common observer are due to these incalculable turns in the wheel of fortune, and that the so-called unearned increment of land values forms only a small share of these total gains.

It must not be forgotten that the modern age is the age of speculation, differing from former periods in that "time speculation" has supplanted "place speculation." No economist would to-day venture to deny that speculation has its legitimate uses, and that the stock and produce exchanges of the present day play an indispensable part in the economy of our complex industrial society. But speculation is largely responsible for modern fortunes; and land speculation is simply a species in the larger genus. Value is a social phenomenon, not an individual phenomenon. A house in a desert is worth nothing; a house in a small town is worth more; a house in a large city is worth still more. The house is in part the product of labor, but the greater demand increases the value. A newspaper also is more profitable in a city than in a village. Thus, if social environment gives a value to bare land, the same social environment increases the demand for other commodities. If it be said that land differs from other things in that it is a monopoly, the answer is irresistible that if there is any one thing which distinguishes the modern age, it is the development of industrial monopoly; we live in a period of pools and trusts and economic monopolies of all kinds. So important, indeed, have these become that modern economic theory has been compelled to supplement the old doctrine of value which was based on the assumption of free competition by a newer and more comprehensive theory, especially applicable to all these modern forms of monopoly price. These monopoly profits cannot be reached by a tax on land values.

On what possible theory of justice, then, shall we tax the man

who has invested \$100,000 in land which the next year appreciates fifty per cent; and, on the other hand, exempt the man who has invested \$100,000 in the stock of the Sugar Trust, which the next year may also enhance fifty per cent? Why should the earnings invested in land be taxed and the earnings invested in the Sugar Trust be wholly untaxed? Why should the earnings invested in land be taxed and the earnings invested in any railway bond be wholly untaxed?

It might, indeed, be claimed that the railway stockholder will be affected by a tax on the land owned by the corporation: but it is difficult to see how the railway bondholder can be reached by any tax on land values except in so far as the ultimate security for his debt may be affected. As the bonded indebtedness of the railways to-day far exceeds their capital stock it appears that, even in the case of these industries whose increasing values are largely due to the influence of the community, the majority of investors would scarcely be touched. In the great mass of industries, of which the Sugar Trust is an example, where the land owned by the corporation is of exceedingly small consequence as compared with its other assets, it is plain that a tax on land values would not reach even the stockholders or the owners proper. Almost every industry, moreover, is dependent for its increasing profits upon the development of the community, that is, upon the increasing demand for the product. Land rises in value because there are more people who want to occupy that land; the earnings of the Sugar Trust have increased chiefly because there are more people who want sugar. In each case the increased returns are due primarily to social causes; in each case we have a monopoly. One is a natural monopoly and the other is an economic or artificial monopoly; but, for all practical purposes, there is no distinction between them. To confiscate the capital invested in land with the chance of the land either falling or rising in value, while exempting absolutely the capital invested in corporate or industrial securities, is but a travesty of justice. It will be impossible to convince the common people that so-called unearned increments are confined to land. As a matter of fact the "unearned increment" of land is only one instance of a far larger class.

We must, on the contrary, plant ourselves firmly on the basis of faculty or ability to pay. So far as a man receives special op-

portunities from the community, which undoubtedly increase his ability to pay, they should be taken into account in framing any scheme of taxation. But let us not single out one special opportunity, because it strikes the eyes of urban observers, while we neglect all the other opportunities which are equally, or almost equally, the result of social forces. The Single Tax on land values is unjust; first, because opportunity is not the only element that must be taken into account; and, secondly, because, even though it were, revenues from land are by no means the only form—nay, not even the most important form—of the results of special opportunity. The Single Tax is unjust because it is exclusive and unequal.

But, even though the Single Tax were absolutely just in theory, it would not yet follow that it would be practicable. Let us, therefore, come to the final part of our inquiry.

Economic Defects

These considerations which have often been overlooked, may be discussed from three points of view: first, the economic effect of the Single Tax on poor and new communities; second, the economic effect on farmers and the agricultural interests in general; third, the economic effect on rich communities.

In the first place, what would be the effect on poor and new communities?

When an American farmer goes to the virgin soil of the Northwest and stakes out his farm, he finds virtually no land value at all; land can be secured by any one on the payment of a merely nominal sum. The only property of these new farming communities consists of the log cabins erected on the land; of the tools, implements and beasts of burden used for tilling the land; and of the personal effects and money that are in many cases brought along by the farmers. The great mass of their possessions, therefore, consists of personalty. In so far as there is any real property at all, it is only to an exceedingly slight extent composed of land values. There is practically no land value. How then, it may be asked, can taxes be raised in this new community? How can the roads be laid out, the school-houses be erected, and the other improvements be effected? Since land values are non-existent, a tax on zero must be zero. Even if any land values exist, the total confiscation of them

would not suffice to defray any considerable part of the necessary expenditures. For proof, take any of the assessors' reports in the new American states, and it will be found that, contrary to the conditions of the rest of the country, the assessed personal property far exceeds in value the total assessed real estate. For instance, in 1890 personalty was to total realty in Montana as 58 to 55 millions of dollars, in Wyoming as 20 to 13 millions, in New Mexico as 28 to 15 millions, in Arizona as 18 to 10 millions. Compare these figures with the older sections, as New York or Pennsylvania, where the proportion was as 382 to 3404 millions and 618 to 2042 millions respectively. If we are to abolish not only the tax on personalty, but all that part of the tax on realty which is not drawn from land values, it can easily be seen how impossible it would be to carry on government in these sections. A tax on the land values would be lamentably inadequate.

What has been said of new communities applies almost equally well to poor communities, that is, to communities made up largely or almost entirely of farm lands and of an agricultural population. The "Single-Taxers" themselves claim that land values amount to practically nothing in the farming districts. We shall see below the fallacy in this general contention; but so far as the community is a poor one there is undoubted truth in the statement that land values are trivial. If this is true, how can the expense be defrayed by a Single Tax on land values? In the testimony recently taken before the tax commission of Massachusetts, one of the Single-Taxers who was testifying as to the situation in certain rural townships was asked the question: How will it be possible for this poor town, in which there is very little land value, to raise its taxes? The witness was compelled to reply that it would be impossible for the community to do so, and he suggested that the expenses of the poor communities should be defrayed in large part from the revenues of the rich communities.

This remedy is somewhat visionary; for with the American theories of local government, it would be almost impossible to induce certain sections in the community to assume the burdens of other sections. We are all acquainted with the continual bickerings in our state taxation, due to the efforts of the richer counties to escape paying more than their proportion of the

general state taxes; and we have recently seen the discontent aroused by an attempt in the shape of the federal income tax to make certain wealthy sections of the country pay the larger part of the revenue of the national government. Where these efforts have given rise to so much dissatisfaction, it is obviously out of the question to suppose that the purely local expenses of any community will ever be defrayed by the efforts of other communities. In local matters, at least, every county and town must stand on its own feet; and if the Single Tax is unable to defray even the local expenses of a poor community, not to speak of its share of general state or federal expenses, it is clearly beyond the realm of practical politics. In poor communities, as well as in new communities, the Single Tax would be an impossibility.

Let us consider, next, what would be the effects of the Single Tax on farmers in general. One of the claims of the advocates of the system is that it would relieve the farming population of the burden of taxes, now weighing upon them. A careful consideration of the facts shows, however, that this claim is unfounded, and that, on the contrary, the only result of the Single Tax would be to make the farmers pay more than they are paying to-day. This can be proved by recent statistics.

In only a few states is a distinction made in the assessments between land and improvements on land. Let us take, as a typical instance, Ohio county, in West Virginia, in which the city of Wheeling is situated. In the auditor's report for 1892, we find the following figures:—

	Ohio County.	Entire State.	Proportion of Ohio County. Per cent.
Value of buildings on lots.....	\$8,544,010	\$22,840,511	
Value of building on lands.....	671,795	14,371,855	
Total value of buildings.....	\$9,225,805	\$37,212,366	25
Value of town lots without buildings	4,409,152	14,453,321	
Value of land without buildings.....	1,678,962	95,771,281	
Total value of all land without buildings	\$ 6,088,114	\$110,224,502	5½
Total value of lands, lots and buildings	15,313,919	147,685,972	10½
Value of personalty.....	6,187,710	51,707,093	12
Present total assessments.....	\$21,501,629	\$198,958,920	10½
Population	41,000	763,000	5¼

In other words, whereas Ohio county now pays ten and one-half per cent of all taxes, and would pay about the same if real estate alone were taxed, if the Single Tax were introduced it would pay only five and one-half per cent of the total taxes, or about one-half as much as at present. If the large towns would have to pay so much less, of course the farming districts would have to pay so much more. The improvements in the towns are worth more than the value of the bare land; while in the country districts the reverse is true.

As another example let us take California. In the comptroller's report for 1893, we find the following figures:—

County	Value of real estate. (i.e. bare land)	Value of improve- ments on real estate.	Ratio of land values to total real estate. Per cent.
Colusa.....	\$ 10,649,318	\$ 1,233,265	89
Merced.....	11,222,179	1,037,103	92
Tulare.....	17,258,512	2,327,705	88
San Francisco.....	193,872,645	82,584,775	70
Total State.....	757,980,207	242,388,163	76

We thus see that while in the city of San Francisco improvements equal thirty per cent of the total real estate value, in some of the country districts improvements are only ten or fifteen per cent of the total. Taking the state as a whole, land values equal seventy-six per cent of all real estate, while in San Francisco land values are only seventy per cent of all real estate. To levy the Single Tax would, therefore, make San Francisco pay less, and some of the country counties far more, than at present.

Again, let us call attention to the report of the Commission on Valuation, made in 1892 to the Pennsylvania Tax Conference, which is probably the most careful attempt yet made to distinguish land values from improvements. We find the following figures:—

	Value of land.	Value of improvements.
Philadelphia county	\$ 357,007,936	\$ 646,244,284
Purely agricultural land in Philadelphia county	21,610,429	3,813,605
Entire state, all land.....	1,881,334,522	1,754,525,949
Entire state, agricultural land.....	725,485,439	245,494,072

The proportion of land values to total valuation of all property is, in the county of Philadelphia, thirty-six per cent; in the agricultural counties of Sullivan and Greene, eighty-one per

cent and seventy-five per cent, respectively; and in the whole state, fifty-two per cent. The Commission concludes: "As a rule, in agricultural counties the land values are the greatest, as would be expected; while in manufacturing counties and those having large cities, the value of the improvements is equal to that of the land, or greater."

Let us now choose some Western states. In the report of the auditor of Colorado for 1894 we find the following figures:—

Value of agricultural and grazing land, irrespective of improvements	\$36,907,810
Value of improvements.....	7,492,022
Value of town and city land, irrespective of improvements	63,080,205
Value of improvements.....	34,788,941

In other words, in the towns improvements constitute about one-third of the total values; whereas in the country, improvements are only about one-sixth of the total.

As to Montana we find, in the report of the Board of Equalization for 1894, the following figures:—

Value of city and town lots.....	\$29,362,754
Value of improvements on same.....	16,156,115
Value of land.....	17,493,680
Value of improvements on same.....	7,287,887

In Lewis and Clarke county, the home of the largest city in the state, the total value of all land was \$11,397,860; that of improvements, \$5,269,300. In some of the agricultural or grazing counties, however, the value of the land was far higher in proportion to the improvements; in Meagher county, for example, land was \$1,821,385, while improvements were only \$629,054. Most striking of all, in this very same county, in the case of agricultural property, the figures were, land \$1,218,474, improvements \$266,824; while in the town lots the figures were, bare land \$602,911, improvements \$362,375. In other words, not only are improvements proportionately less in the rural counties, but even in these rural counties by far the larger proportion of the improvements are found in the little towns, as compared with the farming or grazing land proper.

In the state of Washington, the State Board of Equalization agreed on the following figures for 1893:—

Value of land, exclusive of improvements.....	\$ 87,527,472
Value of improvements.....	8,970,908
Value of city and town lots.....	101,889,377
Value of improvements.....	29,585,930

In Utah, Salt Lake county, the seat of the chief city, assessed in 1893, real estate, exclusive of improvements, at \$31,347,670; improvements, at \$9,483,141. In rural counties like Rich county and Cache county, the figures were, in the one case, realty \$527,666, improvements \$81,445; in the other case, realty \$3,771,810, improvements \$915,614. Here again, the more densely settled the township, the greater in proportion is the value of the improvements.

Finally, in North Dakota, the State Board of Equalization has fixed the valuation for 1894 at these remarkable figures:—

Value of land, exclusive of improvements.....	\$55,887,303
Value of improvements.....	2,608,016
Value of town or city lots.....	4,400,642
Value of improvements thereon.....	4,756,331

In all these cases—and they might be multiplied *ad infinitum*—it is seen that the value of the improvements is, on the whole, greater in the urban than in the rural districts. To many this will be a surprise, because they are apt to be blinded by the immediate facts about them. The Single Tax advocate generally lives in the city, and sees before him a city lot, each foot of which will sell for hundreds or perhaps thousands of dollars. The town lot, he is apt to exclaim, is worth hundreds of times as much as a piece of land in the agricultural districts. This is perfectly true; but it proves nothing as to the comparative ability of their owners to pay taxes because it overlooks a point of the greatest importance. When we compare urban with agricultural land values, we do not compare foot with foot, but total units with total units. Thus, an acre of land in New York City may be worth a thousand times as much as an acre of land in the country; but it must be remembered that there are many thousand times as many acres in the country as there are acres in New York City.

A lot in New York may be worth ten thousand dollars, but a farm of five hundred acres in the country may also be worth ten thousand dollars, exclusive of improvements. We must, therefore, compare, not the value per foot in the New York lot with the value per foot in the country farm, but we must compare the value of the New York lot with the value of the country farm. The farmer who has paid ten thousand dollars for his farm, and has then proceeded to improve and cultivate it,

will not be satisfied, when the assessor taxes him, and exempts all the business men, house-owners and security holders in the adjoining village; he will not be satisfied with the statement that the owner of a ten-thousand-dollar lot in New York City pays a hundred times as much per front foot. He will be apt to reply that it makes no difference to him whether the New Yorker's ten thousand dollars is taken away; but he objects to his own ten thousand dollars being taken away, while his neighbors in the village, who are far richer than he, pay no taxes at all. In short, while attention is directed to the fact that land values are undoubtedly less per acre in the country than in the city, it is forgotten that the number of acres in the country is so many times larger than the number of acres in the cities that the total land values in the country will form a large part of the whole. Moreover, we have seen that the value of improvements is greater in the towns than in the country. In the country the farm-house is built for five hundred dollars; in the city the fine stone mansion or steel business edifice is erected at a cost of thousands or hundreds of thousands of dollars. If, therefore, all improvements were to be entirely exempted, the only result of a tax on land values would be to make the farmers pay more than they do at present. It is not denied that as between the general property tax as actually administered and a tax on real estate only, the farmer would be benefited by the adoption of the latter. For personal property is assessed, chiefly in the agricultural communities. The remedy, however, consists not in taxing only real estate, but in striving to reach the abilities of the owners of personal property by some other method than that of the antiquated general property tax. But even assuming that this reform cannot be effected, what the farmers would gain by the abolition of the personal property tax, they would lose and far more than lose, as we have seen, by the total exemption of all improvements.

No wonder the farmers realize that this will ruin them. Immunity from indirect taxes would be dearly purchased at such a price; for it would result in the destruction of the one class above all others upon which our prosperity rests—the class of independent small farmers. As long as the United States remains pre-eminently an agricultural community, it is not likely that the Single Tax will become a practical question, |

Thirdly, and finally, let us consider the economic effects of the Single Tax in rich urban communities.

It is contended by the Single Taxers, with special reference to the advantages claimed as likely to accrue to the tenement-house population of the large cities, that the introduction of their system would bring about the social millennium. It is supposed that if we abolish the tax on improvements, that is, on houses, the vacant lots will be built over as if by magic, rents will fall, the wages of the workmen will rise, and a period of general prosperity will be ushered in.

It may be asked, in the first place, where all this additional capital which is to be invested in houses is coming from. There is no fund floating about in the air which can be brought to earth simply by the imposition of the Single Tax; the amounts to be laid out in houses must be taken from the capital now invested in some other form of productive enterprise. The amount of loanable capital in the money market at any one time is definitely fixed. Even deposits in banks are already invested, for the most part, in mortgages or in corporate securities; that is, they are already utilized for productive purposes. What is put into new houses will, therefore, simply be so much taken away from other productive employments.

It may be asked next, how the rents of our tenement-house population will be reduced? The theory that a tax on houses is shifted to the consumer or tenant is true enough, provided that the tax be exclusive—that is, provided that nothing be taxed except houses. If, on the contrary, the house tax is simply a part of a wider system of taxation; if other forms of property are assessed like investments in land and in personal property; if a corporation tax is imposed to hit the investors in corporate securities; or if we have an income tax which is to reach general profits,—in all these cases the very conditions of the theory according to which a house tax is shifted disappear. To the extent, then, that the house tax is not a Single Tax, the tendency for it to be shifted will be diminished. The only result, in this direction, of the Single Tax would be, as a matter of fact, that people would pay their rent to the state instead of to private individuals. We hear a great deal about the unoccupied lands held for speculative purposes in large cities; but it may safely be affirmed that south of Forty-second Street in the city

of New York—the home of the major part of the tenement-house population—not one-fiftieth of one per cent of the building lots lie idle, and of these some lots are occupied as coal yards, and some adjoining factories or large establishments are used for storage purposes. How then would the Single Tax relieve the inhabitants of the slums? They will not go to the suburbs where there is an abundance of land, for the same reason that they do not go there now. Rent in the suburbs is at present considerably less than in the slums, which are nevertheless crowded. The average workman plainly prefers to be near his work, and to enjoy the social opportunities of contact with his fellow-workmen, evenings as well as day-time. Above all, he cannot afford the expenditures of time and money, necessary for conveying the various members of his family to and from the suburbs. Even assuming, therefore, that there was some magic fund to cover the suburban lots with houses, the rents in the slums would scarcely be affected.

Finally, we may ask how the wages of the workmen are to be increased by the Single Tax. Wages can be increased only through an increase in capital or through an increase of the efficiency of the laborer. Taxation in itself cannot accomplish either of these results. To turn economic rent over to the state cannot increase capital one whit, nor can it augment the efficiency of the laborer. Not only can the Single Tax have no influence on the wages of labor, but as we have seen it cannot decrease the rentals of the tenement-house population. The whole fair dream of economic felicity thus resolves itself into mere mist, into mere nothingness; the tenement-house population would derive as little advantage as the American farmer from the Single Tax.

So far as there is any truth in the doctrine that land in or near cities is largely held for speculative purposes, the difficulty can be met by the enforcement of now existing laws. The tax laws of the American states everywhere instruct the officials to assess property at its true or selling value, but it is notorious that unimproved lots are, as a rule considerably undervalued as compared with those on which improvements have been erected. If, then, we simply enforce the laws as they exist, it will be far more difficult for any one to hold land on speculation. But the desired purpose may be accomplished without invoking the aid of the Single Tax.

Furthermore, so far as there is an element of truth in the idea of unearned increment as applied to urban real estate, the problem is already, to a large extent, solved in America by the system of special assessments which takes for public purposes, and precisely at the time of its creation, the increased value which may properly be said to be due to any positive action on the part of the community. By enforcing the tax laws as they exist to-day and by extending the law of special assessments to all the cases which are properly referable to the principle of benefits, we shall do as much as is under existing conditions either practicable or equitable.

Conclusions

We have studied the Single Tax from different points of view; and we have seen that it is defective fiscally, politically, morally and economically. We have learned, first, that it would be inelastic, and that it would intensify the inequalities resulting from unjust assessments; secondly, that although itself proposed chiefly from social considerations it would prevent the government from utilizing the taxing power for other social purposes, and that it would divorce the interests of the people from those of the government; thirdly, that it would offend against the canons of universality and equality of taxation, and that it would seriously exaggerate the difference between profits from land and profits from other sources; and finally, that it would be entirely inadequate in poor and new communities, that it would generally have an injurious influence on the farmer, and that even in the large urban centres it would exempt large sections of the population without bringing any substantial relief to the poorer classes.

It is clearly impossible to discuss in this place the wider claim of the single-taxers, that the application of their scheme would introduce the social millennium. If economists thought that the distinguished single-tax leader had solved this problem, they would enthrone him high on their council seats; they would reverently bend the knee and acknowledge in him a master, a prophet. But when he comes to them with a tale that is as old as the hills; when he sets forth in his writings doctrines that have long since been refuted; when in his enthusiasm he seeks to impose a remedy which appears to them as unjust as it is one-

sided, as inconsistent as it is inequitable,—they have a right to protest. This is not the first time that some enthusiast has supposed that he has discovered a world-saving panacea. The remedy for social maladjustments does not lie in any such lopsided idea; the only cure is the slow, gradual evolution of the moral conscience of mankind. We cannot solve the labor problem by any rule of thumb. Every student of history, of political philosophy, of economics, will tell us that the progress of the race has been slow and painful; that the world has advanced step by step; and that each successive step, to be enduring, must be founded on justice. To suppose for a moment that the social millennium will be ushered in by any one sudden change—even were the change not so lamentably inadequate as the one above discussed—is an evidence not of wisdom, but of short-sightedness.

Even as a method of tax reform, the scheme is, as we have seen, a mistaken one. Our system of taxation is far from being ideal, or even comparatively just; for we are still clinging, in a great degree, to mediæval errors. But whatever be the much-needed reform, it is safe to say that neither the common people nor the student will ever accept a scheme which is palpably unjust, which abandons the whole ideal theory of modern taxation—that of relative ability or faculty—and which seeks to put the burdens of the many on the shoulders of the few.

Survey. 31: 697-702. March 7, 1914.

Halving the Tax Rate on Buildings: Pro and Con.

Edwin R. A. Seligman.

The problem of municipal taxation is again to the front in New York. The advocates of the scheme to lower the rate of taxation on buildings, and to increase that on land values, have now put their proposition in the form of the so-called Herrick-Schaap bill, which refers the whole matter to a popular referendum. The agitation has been ingeniously managed so as to identify it in the popular mind with a project for lowering rents.

To the average student of politics this is an interesting prop-

osition. It shows with what ease an attempt can be made to simplify complex problems. To the earnest investigator the matter is much more serious. It has long been recognized that of all the problems in economics that of the incidence and effects of taxation is one of the most subtle and difficult. A change in the methods of taxation, far from being so simple a matter as the advocates of the Herrick-Schaap bill imagine, is in reality a subject which calls for the most careful analysis and for the most accurate knowledge of economic law.

The two shibboleths of the present agitation are lower rents and prevention of congestion. It is well known that the people behind the present movement are the small but active band of Single-Taxers whose ultimate aim is to levy taxes on bare land values. In order, however, not to affright the public, the scheme is now introduced in the guise of a slow, gradual reduction of the tax on buildings. To the extent, of course, that the change is only partial, the effects, whether favorable or unfavorable, will be slight. In order, however, to recognize the tendency of the measure and to realize its full import, we must study the effects of the change as a totality, and then subsequently make allowance for the degree in which the partial adoption of the scheme falls short of the whole.

There are three points of view from which the subject may be approached; the economic changes, the social changes in the broader sense, and the fiscal changes. Each of these deserves attention.

The economic question is that of the shifting of the tax: Will house rents be lowered? If so, to what extent?

Tenants and Taxes

It is an accepted generalization of economics that, other things being equal, a tax on the land is not shifted to the tenant, whereas a tax on buildings is ordinarily shifted. In dealing with actual facts, however, we shall find that the situation is by no means so simple.

The rental value of a piece of real estate is composed of two parts, the rent of the land proper and the rent of the house. The land rent is influenced primarily by the growth of population. Land costs nothing to produce and as population increases, more and more sites are occupied at the fringe of the city, thus

pushing up the value of the land toward the central districts. What is sometimes overlooked, however, is that in a city like New York, capital must often be invested in order to prepare the land for building. On a level stretch in some parts of Brooklyn, indeed, all that is requisite is the insignificant sum necessary to take out the earth for the cellar of a frame house; and as most houses are built with cellars this may well be reckoned as a part of the building cost. In many sections of New York, however, relatively large amounts must be spent in order to blast away the hill or to make the rock excavations for the house, and in still other parts of town considerable sums are not infrequently spent by real estate companies for levelling, grading, and sewerage the plots. To the extent that capital is invested in the land we have to deal with improvements.

But in our tax system, as well as in the contemplated bill, by improvements are always meant improvements *on* the land and not improvements *in* the land. To the extent that the improvements take place *in* the land the tax will be shifted to the tenant. It does not follow, therefore, that if the tax on land is increased, the whole of this increase will be borne by the owner. So that even if we assume that an exemption of houses from taxation would in itself tend to lower rents, a part of the increased tax on the land would tend to be shifted to the tenant and would therefore increase rents.

But let us look now at the proposition that an exemption of buildings from taxation would in itself lower rents. The theory, of course, is that if the tax were taken off, more houses would be built and the increased supply of houses would lower rents. Furthermore, it is contended that the exemption of improvements from taxation would lead to a continuous activity, and that the resulting demand for capital would continually raise wages, induce prosperity, and increase population.

The question, however, presents itself; even if we grant that more houses will be built, will the effect be a permanent or merely a temporary one? It is often said that houses are like anything else; reduce the price and you increase the consumption. But this statement fails to consider a marked difference between houses and other things. The demand for most commodities is elastic and will increase almost without limit, provided the price falls low enough. On the other hand the demand

for houses is limited. If the price of clothes falls considerably, people on the margin will buy more clothes or better clothes; and the further the price falls the more clothes they will buy. But the demand for houses is strictly limited by the extent of the population. More houses will not mean more tenants.

It is indeed true that in every large city there is a fringe of the population composed of people who do not live in rooms of their own, who are boarders or lodgers with other people. If more houses are built and rents fall, these people who have hitherto been unable to occupy apartments of their own will indeed be put in a position to do so. But after the slack has been taken up, and after all the boarders and lodgers are housed in apartments of their own, what will happen? To build more houses would simply mean to build vacant houses.

Is it not true, therefore, that as soon as the interval has elapsed—one, two, or three years, sufficient for the building of the additional houses,—the new equilibrium between housing and population will have been reached, and that there will be no further demand for new buildings, except that which comes from ordinary growth of the population which existed before the change in taxation and which will persist after this change? Where then will be the continuous demand for new houses, for new capital, and for more labor? On the contrary, is it not true that the only effect of a sudden exemption of houses from taxation will mean a building boom which will in most cases be apt to be overdone and which will inevitably be followed by a collapse, by a pricking of the bubble, with the ultimate result that only the normal number of houses will thereafter be built every year?

We have heard a great deal about the wonderful effects of the exemption of buildings in Vancouver and we have been deluged with figures as to the increase of building operations and general prosperity. It is indeed true that immediately after the complete exemption of buildings from taxation in 1910, there was a great building boom. The building permits in Vancouver amounted to \$13,150,365 in 1910, to \$17,652,642 in 1911, and to \$19,388,322 in 1912. Everyone said, Lo, look at the results of the Single Tax! But what happened in 1913? The "Single Tax" is still there, but the building permits fell to \$10,424,447, one-half the amount

in the preceding year and very much less than that in 1910. Moreover, the permits for December, 1912, amounted to \$1,530,365 and for December, 1913, to only \$175,245, a falling off of over 85 per cent.

Of course as a matter of fact everyone knows that the influence of taxation is subordinate to the wider and more important influences of general economic development and that neither the boom nor the collapse can be ascribed to taxation alone; but if our Single Tax friends will continue to claim Vancouver or the other Canadian cities as an example of the beneficial effects of taxation in increasing building operations, they must take their medicine and now confess that the result is just the opposite of what they claim.

Even though, however, the contention of general prosperity consequent upon the exemption of buildings is clearly disproved, it might be claimed that the new equilibrium will be reached at a lower level, and that even if there be only a temporary boom in buildings, rents will nevertheless, after the collapse, be less than before. Let us consider, then, whether there are any counter-vailing tendencies to oppose this trend to lower rents due to an increase in the number of houses.

Building up the Suburbs

In the first place, is it not true that new houses are now continually being built on the outskirts by modest owners who can barely afford to do so, but who expect to recoup their outlay and to pay off the indebtedness, in part at least, by the gradual increase in the value of their land? Just as the opening up of our western cities was largely due to the expectation of a profit to the farmers through the increase of land values, so also it is undoubtedly true that the building up of our suburbs is largely due to this same expectation of the so-called unearned increment. It is clear, however, that an increased tax on land values will diminish the capital value of the land. For if the rental value of land falls, its capital value must fall accordingly. To the extent, then, that land values will fall or will be prevented from rising, to that extent some intending builders will be prevented from building.

Secondly, most houses are built nowadays on building loans and the amount of the loan, as well as the rate of interest, is in

a certain proportion to the value of the land. If the increased tax on the land diminishes its value, either less money can be borrowed or a higher rate of interest will have to be paid, and in either case there will be an impediment to the erection of new houses. In the present state of slack building in New York any doubt cast on the underlying security for the mortgage will seriously check the free flow of loanable funds and to that extent hinder the development of building operations.

Thirdly, it is clear that, as stated above, land rent increases with every enlargement of the circumference of the city. In a small town with few people, rents in the center are low. As the population increases and the building zone widens, land rents will rise until in a large metropolis, like New York, land values vary from agricultural farm values at the outskirts up to thousands of dollars per front foot in the center. If, now, it is true, as our Single Tax friends contend, that the contemplated change of taxation will mean the building of more houses, and therefore the pushing out of the building periphery, will it not necessarily follow that land rents will rise accordingly? It may indeed be conceded that if the new houses were built on vacant plots toward the centre, the pressure on the previously improved plots would be relieved. But as soon as these vacant sites were improved, and the building zone in general was extended, land rents toward the centre would surely rise. The enlargement of the building zone, therefore, will cause land rents to rise throughout the city, and the lowering of the building rent will tend to be compensated, in part at least, by the rise of land rent,—making the total rent paid by the tenant little, if any, less than before.

Finally, fourthly, the ordinary argument adduced to prove that rents in the slums will fall is, that if people can now after the change of taxation secure better accommodations in the suburbs, the owners in the slums will be compelled to reduce their rents or have their houses go empty. It must not be forgotten, however, that there is much less mobility than is usually alleged. Rents in the suburbs are now lower than they are in the slums, and yet people continue to live in the slums partly because of proximity to their work, but chiefly because of the social advantages, or fancied advantages, of the neighborhood itself. It will therefore take a very great change in conditions at the fringe in

the suburbs before an appreciable effect is produced in the center of the city.*

Taking all these points together, it will be seen how far from simple is the process and how far from sure is the alleged consequence that house rents will fall. At the very best, even with the total exemption of buildings from taxation, house rents will fall by much less than the amount of the tax; and, owing to the reasons mentioned above, it is not sure that they will fall at all. The popular cry of lower rents is far from exact.

Let us now consider a little more in detail the social consequences or alleged consequences of such a change in taxation. These social consequences may be discussed under three heads: congestion, the relative advantages to rich and poor, and social justice.

Congestion

By congestion we may mean two entirely distinct things: either density of population per room, or density of population per acre. Even if we grant, for the sake of argument, that house rents will fall slightly, thus enabling more people to live in separate apartments and thus reducing the density per room, does it follow that there will be a decrease in the population per acre. And if not, which congestion is to be preferred?

If buildings are exempted from taxation there will manifestly be every inducement to prospective builders to enlarge their profits by increasing the height of buildings. They will not build better buildings because there will be no demand for rooms at the increased rental in that neighborhood. They will therefore build higher structures, each apartment of which will rent at the customary figure. As a result, the old and low buildings in the slums will be replaced by high apartment houses, each of which may house two or three times as many people as before. The consequence will be a great increase in the density per acre, with all the resulting discomforts and dangers in the streets and consequent need of spending still more money for parks and open spaces.

It might be claimed, however, that this consequence can be averted by a law limiting the height of buildings. But in the

* For a scientific discussion of this point see Seligman, *The Shifting and Incidence of Taxation*, 3rd ed., 1910, pp. 313 *et seq.*

first place it must be pointed out that there is no such proposition in the present scheme, so that it must stand on its own merits; and secondly, even if such a building law were passed it would help matters very little. A very small proportion of the existing tenement population lives at present in buildings of the maximum height. A rebuilding of the city even with buildings limited to the maximum height would cause a congestion per acre far greater than anything that now exists. Not only would there be no small houses, but there would be no coal yards, no wood sheds, nothing to break the monotony of tenements.

Moreover, a similar situation will ensue in the rest of the city. The tendency of an increased tax on land values must always be a more extensive utilization of the land. This will mean a more compactly built city than at present. Instead of little houses with gardens around them, such as we see now in outlying districts, and even in some of the more densely populated parts of Brooklyn, we shall have a repetition throughout the whole length and breadth of the city of conditions that we find in Manhattan. The congestion in Manhattan was produced by the configuration of the island. Have we not a right to look forward to a situation in other boroughs comparable to that in residential districts of most American cities? Will not the exemption of buildings from taxation and the increased tax on land stop that tendency? We must answer, unfortunately, yes. It will mean no open spaces; it will mean no gardens around the houses; it will mean house next to house, and apartment by apartment; it will mean in short a repetition of all the worst evils of the slums spread throughout the entire city. Land speculation may have its abuses; but this evil at least it avoids. An unbuilt lot may seem in some respects a waste; but at least it affords fresh air, and sunlight and grateful space.

Is this kind of congestion not really worse than the congestion per room? Is it wise to purchase what is at best a dubious relief from the congestion per room at the cost of a very certain increase in the congestion per acre? Is it not true, as Bastiat said, that we must distinguish between the seen and the unseen? The enthusiastic advocates of opposition to congestion fail to see that they are tending to produce a worse congestion than the one they attempt to relieve.

The true remedy for congestion is not any change in taxation.

The true remedy for congestion consists in ample facilities for transportation; in laws to restrict the height and the depth of buildings; in broad streets and numerous parks and playgrounds scattered over every part of the city. The first two will relieve congestion per room; the last will relieve congestion per acre. But a change in the tax laws will have a most insignificant effect on the one, and will have the opposite of a beneficial effect on the other.

The second point is, who will derive the social benefits of this change in taxation, the rich or the poor? The poor, as we have seen, will secure little, if any, decrease of rents; and what they possibly gain by a decrease of rents, they will lose by an increase in congestion per acre. How is it, however, with the other class of population? Take the typical rich man who builds himself a fine mansion on Fifth Avenue for his own residence. Is he a representative of a class that needs special favors from the community? It may be said indeed that a fine mansion is generally erected on expensive ground and that under the new scheme he will pay as much more for the land as he pays less for the mansion. But that assumes that the land is worth as much as the house. We all know that that is not the case, and that the more sumptuous residences are precisely those that cost more than the land on which they stand.

The Rich Favored

On what theory then, shall these rich men be favored? Certainly it cannot be on the theory that people should pay in accordance with their ability to pay; for according to that theory the rich man ought to pay more than the others, not less. It will be said, however, that the true basis of local taxation is the theory of benefits and not the theory of ability.

Accepting that claim for the sake of argument, what would be the result? Shall we say that the owner of the palace or of the Woolworth building derives no benefits from the city administration to incur no expense? How about fire protection? The land cannot be destroyed, but the house can. How about police protection? The land cannot be taken away, but you may rifle the contents of the building, and so on. Is it not clear that the exemption of buildings from taxation or a lower tax rate on

buildings gives an unfair advantage to the very rich rather than to the very poor?

And if we pass from a consideration of the owners of these fine buildings to that of the tenants what do we find? In the skyscrapers downtown are lodged the big banks, the big trust companies, the big lawyers, the big financial and business enterprises of all kinds. At present if we assume that the tax on the house is shifted to them, they pay at least something to the expenses of the city government. Under the new scheme they would be totally exempt. In the skyscraper we find most of the money-making agencies of the city, and yet it is seriously proposed to exempt all these from any contribution to the city expenses, even that indirect contribution which they pay in the shape of rent.

Take the statistics of new buildings that are constructed in any large city. You will find that to an overwhelming extent they represent valuable opportunities for the larger business men and for the wealthier residents. The amount of new construction, which consists of tenement houses, or cheap apartment houses, and of small residential buildings, is an insignificant proportion of the whole. Will the small man, then, really get the benefit of the change?

Let us take next the great mass of moderately comfortable people, neither the very rich nor the very poor, and consider how they will be affected.

In many parts of the residential sections of New York the land is worth more than the improvements. We are told that the average of land values in New York is 63 per cent and that in some of the residential sections it rises to 70 per cent and in some cases even to 80 per cent. What now will be the effect of this change in taxation upon the great mass of modest house owners where the land has come after some years to be worth more than the house? These house owners have not any larger income than before and they are perhaps just about able to live comfortably on their present income.

The change in the rate of taxation will impose an additional burden upon them and will tend to force out of their houses all those who are on the fringe. As they are forced out of their homes the land will be put to the most intensive use and their houses will be replaced by lofty apartments. Thus gradually

from a city of modest home owners we shall be converted into a town of apartment- and flat-dwellers. This transition may be inevitable, but why hasten it by artificial means?

Not only will the rich man be favored and the modest house-owner be injured but, in the third place, what will be the effect upon property holders in general, whether rich or poor? It is claimed that the object of the proposed scheme is to do away with speculation in land. Now I hold no brief for land speculators, although I think that they are a much maligned class and that we have made of the land speculator a bugaboo just as the ordinary man in the west had made of the New York Stock Exchange. Speculation has its good sides and its bad sides. It has its uses and its abuses. There is an economic utility in land speculation as there is an economic utility in stock exchange speculation. That there are evils not to be overlooked is plain and that our former system of under-assessing vacant lands developed great abuses of land speculation is equally undoubted. But is it not a mistake to identify all landowners with land speculators?

My objection to the present scheme as well as to the Single Tax does not rest on any opposition to the taxation of real estate or on any desire to minimize the desirability of taking for the public some, at least, of the increase in land values. I think that a fair case might be made out not only for having the weight of local taxation rest primarily on real estate, but also for a land increment value tax, to be added to our present taxes just as Germany and England have done. But the essential difference between such a scheme, which is not now before us, and the present project is, that the other plan deals only with future increases of value, while this scheme deals with present values.

I have never been able to understand why a man who has invested in land should be exposed to the danger of having a part of his property taken away from him? When he invested his money in land it was on the basis of the accepted policy of social justice, that private property in land was to be treated like private property in other things. The landowner in New York city today is not simply a speculator nor is he always a rich man. There are numberless modest landowners and numberless men in modest circumstances who own shares in real estate

companies. Why should the selling value of their land be so diminished by an act of government that a part of their property is confiscated? Does it not run counter to our very ideas of social justice and of equality of taxation?

Of course, those who hold that there are no vested rights in land would brush aside this argument; but I fancy that the common sense of most people is not yet ready to go to the length of accepting the bald proposition that the state has a right to take away a man's property without compensation.

It is claimed again that this particular project will be so gradual in operation that there will be no net diminution in land values, because the increased value due to the normal growth of population will more than offset the diminished value due to capitalization of the tax. This position might be tenable in case all land increased equally in value throughout the city. But we know from experience that this is not the fact; that some sections increase in value while other sections remain stationary or even decrease in value. As to all the unfortunate property owners, and there are many of them, situated in such sections, the objection therefore would not be removed.

Fiscal Aspects

Thus we see that while the poor tenant would receive little, if any, advantage, the rich man and the great business magnate would be unduely favored, and the modest house owner and the not inconsiderable number of ordinary land owners would be distinctly injured.

We come, finally, to the fiscal aspects of the problem. In considering these we must bear in mind that while land values will be lowered, land rents will not be less than before.

The rent of land, that is, the amount paid by the tenant, is a gross sum, and depends entirely upon the growth of population. The rental value of land to the owner is a net sum, that is, it is the rent paid by the tenant, less the taxes and other expenses, if any, in managing the land. The selling value of anything is always the capitalization of the net rent. Consequently, the higher you make the tax on land, the lower you make the value of land, without affecting in one iota the rent paid by the tenant. If the entire net yield of the land were taken by the state, the

land would not be worth anything to own; but the rent to the tenant would be just as high as before, the only difference being that now the tenant would virtually pay rent to the state in the form of taxes transmitted through the landlord.

If this principle is kept clearly in mind, we can see what the results of the tax would be. Obviously the base of revenue would be more restricted. If, instead of taxing both lands and houses, we tax only lands, we have less to tax; and if, in addition, the selling value of the land is now diminished, we have doubly less to tax than before.

What we need in our large cities is more revenue, not less revenue. Does it not seem, then, to be a very questionable scheme to endeavor to raise more revenue by narrowing the base of taxation.

But not alone would the system fail to respond to our need for an increased revenue; it would probably be hazardous. Taxes are almost everywhere limited to a certain percentage of the property taxed. In New York city this limit is fixed at two per cent, exclusive of the debt charge. Is it not clear that if the thousands of millions of dollars invested in houses are exempted from taxation, the rate on the land would have to be raised so as to approach dangerously close to the limit, if not in fact to exceed it. The contention that it would be possible to reduce the rate on houses and at the same time still keep them on the assessment lists at full value, is not tenable. Either, therefore, the Constitution will have to be changed, or the tax limit raised.

Charles H. Shields. Single Tax Exposed.

All Property of Exchangeable Value Should Be Taxed.

Under our present system and present land laws, land is property, and I hold that private property in land is consistent with and necessary to man in a state of civilization. Under our present system of exchange which is the product of civilization and the outgrowth of the division of labor, we have several classes of property. Land owned by individuals may be considered first, as it is upon land and land values, home values, that all other industries rest. Cattle and other animals that are

bought and sold on account of their usefulness for food or otherwise, may be classed as another kind of property. Stocks, bonds and obligations to pay may be classed as another kind. The products of the soil, coupled with labor, form another class. Goods, wares and merchandise, manufactured articles of all kinds, whether manufactured by machinery or by hand, constitute another class. Books containing the mental efforts and energy of individuals may be classed as another kind of property. All the property coming under the various classifications are essential to man in a state of society. One is exchangeable for another by and through the process of our system of exchange. If an individual desires a manufactured article of any description, he may sell the product of his labor, or may exchange an article of value that he has for money which is the blood of commerce, and with that money purchase any other article he may desire that is obtainable. The various articles which may be considered the product of man are the result of the requirements of society. Consequently they are in demand. Therefore they are exchangeable for other commodities that are in demand, according to the tastes and desires of the various individuals of society which are extremely numerous. When an article is no more desired by society, the manufacture of it ceases, and in its place a more important article is manufactured. Thus the process of the growth and demand of the hundreds of thousands of various manufactured articles desired, and even necessary, for man in a state of society. If an individual has money, he will have no difficulty whatever in finding others who own land, to part with that land for a certain amount of his money.

Hence it should be obvious to the reader that all kinds of property which are desired by society and which can be exchanged, one for another, should be treated alike in the eyes of the law. Any discrimination against one kind of property would have a tendency to injure that particular class.

It would be perfectly natural for an individual to desire and hold that class of property that was favored by law. Mr. George reasoned this out. Therefore he schemed to discriminate against land, and by the process of this discrimination force land back into the hands of the government.

As long as we treat land as property, there should be no discrimination against it. There is no justice in placing the

~~burden of taxation upon land. There could be but one reason for it, namely, that of discriminating against it and finally confiscating the present values of it.~~

Henry George claims that man is a land animal and therefore cannot live without the use of the land, and that the land should belong to all of the people because of man being a land animal; that man can no more live without the use of the land than he can live without air and water. Therefore land should be free as air and water. Of course we agree with Mr. George that man is a land animal, and that he can not subsist without the products of the soil any more than he could live without free access of air and the use of water. That is no argument against the private ownership of land. Mr. George says that the man who owns the land under our present system virtually owns those who must occupy the land. He fails to recognize that man is a social as well as a land animal, and that social conditions are as necessary for man in a state of society as the use of the land or the air and the water. In order to get this thought more clearly before the reader it will be necessary to go back into the early history, in fact, beyond the period when there was history, to show the progress and growth of society.

To illustrate this thought we will concede that land is the hub of the wheel of society. Man must draw his support from the land; that in his undeveloped state—in his tribal state, land was practically the only essential to his well-being; but when the division of labor was first adopted, social progress then commenced. When man evolved to that state of intelligence where he saw that a division of labor was better for his well-being, the fisherman said to the rude boat-builder, "You build the boats and I will fish;" and these two said to a third, "You till the soil while one builds the boat and another fishes;" and to the fourth, "You make the bows and arrows, while the fifth will do the hunting;" and to the sixth, "You make the crude implements necessary to till the soil."

And so this division of labor grew, as man progressed intellectually and socially. It has been a long continuous growth, and each and every new invention has added to the wants of man, and has therefore become a necessity in the state of society that he then or now exists in. This process has gone on and on. The greater the wants of society, the greater the

division of labor; and the greater the division of labor, the greater were the wants of society.

Now, the various lines of industry, the various articles of wearing apparel, the many thousand articles of value that are desired by the individuals of society, form the other portions of the wheel. Machinery of all description that is today used, transportation facilities, great manufacturing plants, banks, telephone and telegraph system, in fact, the whole superstructure of society are the spokes, the felloes and tire of the wheel. Now I submit to you: Is the land which we have designated the hub of any greater importance to man in a state of society than the numerous other factors which we have just enumerated, and which we may call the spokes, the felloes and tire of the wheel? The hub, or the land, would supply the wants of man in a state of savagery, but not in a state of development. For this reason I hold that there may be many thousand lines of pursuits of trade and combination of various interests that may be promoted by individuals, that could be of more harm to society than any possible monopoly of land.

Under our system of exchange, as before stated, if one accumulated goods or money, they could at any time convert it into land. There is no monopoly of land. The majority of people who own land are perfectly willing to let it go for a fair consideration. They can take the money and engage in other pursuits that are equally as profitable as that of tilling the soil, and much more pleasant. As a matter of fact, if you would today divide the land in the United States and give each individual their portion, it would not be twenty-five years until conditions would be about the same as they are today. Those who wanted to experiment and were not satisfied with the tilling of the soil would sell their land. One would want to go into a grocery store, or perhaps he would want to go into the automobile business. Another would want to sell his land and go into the city where he could have the greater pleasures of society; where he could wear fine clothes and make a good appearance, at least while his money would last. Others would want to convert their land into money and travel, they would want to see the sights of the cities and perhaps of foreign countries; and so on, until each and every one satisfied to the extent of their ability so to do, their curiosity, their pecu-

liar desires, their peculiar ideas, etc. A majority of them would prove a failure in the enterprise in which they embarked. Ninety per cent of the business enterprises undertaken prove failures. These people then would not be the possessors of soil. They would have spent their money. Ninety per cent of their undertakings have failed, therefore they would be in what we call the working classes. This would be the process of working back to the present state of affairs.

It is folly to argue as the Single Taxer does—that improvidence, bad judgment, ill health, intemperance, insobriety, stupidity, vicious temperament, ignorance, laziness, dishonesty, bad management, diseased brains, physical and intellectual delinquency, lack of foresight and other imperfections of mind and body that could be mentioned, can be overcome and righted by an act of legislation. All the physical and mental ailments above recited play their part in the unequal distribution of wealth; they play their part and are responsible for the many sad conditions that we see in society. Mr. George would have you believe that all of these ills are traceable to and have their being in the private ownership of land.

As long as we have the various stages of intellectuality we may expect to have a like variation in the possession of property. Any legislation seeking to restrict the advancement of one because others are unfortunate and cannot keep up with those who are in the advance, would have a tendency to hold all down alike, therefore would destroy all ambition to advance. The lower down in the scale of humanity you go, the nearer you come to an equality. I should like very much to see the ills of society abolished were it possible. We must not, however, allow our emotion and our sympathy to distort and warp our judgment. The law of the survival of the fittest seems to hold good in all mineral, vegetable and animal creation.

Henry George tried to figure out a system that would make all men equal. In doing so he failed to recognize that the great inequalities, both social and financial, are very largely due to the differences between individuals, not that the possessor of vast wealth is wiser or has more brains than those who have no possession whatever, for such is not the case. The philosopher is seldom a rich man. The professors of our universities are seldom rich men. The great thinkers of our age

are not rich men. They have used their talents for the acquisition of knowledge. The same is true of musicians, physicians and surgeons. They have used their time and energy in becoming skilled in the arts of music and human anatomy. The same may be said of great sculptors and painters and of clergymen, scientists and political economists. They have given their time and energy to the acquisition of knowledge. Therefore they have but little of the worldly possessions.

I believe enough has been said along this line to give the reader a clear insight into social conditions; that enough has been said to show clearly that no process of taxation, and especially that of Single Tax, which would confiscate all private property in land, thereby destroying the very foundation upon which civilization has advanced, can ever bring about the extirpation of pauperism and the equalization of the distribution of wealth.

Society will always have its troubles as long as there is such a vast difference in human nature. The great readers along the line of political economy have recognized this fact. Herbert Spencer when a young man, reasoning without experience, attempted to write a purely ethical work on political economy. The title of the work was "Social Statics." He advocated the nationalization of land by compensating the owners, for their land. After forty years of experience, when his judgment was tempered by the cold, stubborn facts and realities of life, he came to the conclusion that his early writings were wrong, and in speaking of the nationalization of land he says:

"Until there is a great change in human nature, the nationalization of land would be impracticable."

National Tax Association Proceedings. 1913. 7: 129-32.

Single Tax in Canada. Adam Shortt.

I have noticed in a good many American publications reference to the experiences of Canada in the way of a Single Tax, particularly the laws adopted in our western provinces, and it occurs to me that a word might be put in here with reference to the actual results in that part of the country. Now if

any of you care to go up to any of our typical western cities—Vancouver, Calgary, Edmonton, Saskatoon, Moose Jaw or even Winnipeg—what you will find is this: that the people who were there before the land speculation started did not raise the values of land there so suddenly as they have been raised within the last six years. You would find if you went into an actual analysis of the situation that the process was exactly reversed. People have flocked into those cities because certain men went there and systematically organized land booms. The Single Taxers tell us that men are entitled to take what they create, but they are not entitled to take what other people create. Now a certain group of land speculators have created nine-tenths of the land values out there, and have sold them to other people, but what the other people are going to take with them in the end remains to be seen. The incipient boom that was started off led a great many other people to rush in and that made a demand for houses. They started to build houses. You make an analysis of any of those cities and you will find that the city has grown up through its own construction because in many of those cities there is no industry; there is nothing going on except incidental industries—sash and door factories, brick making, etc.—incidental to the construction and building of sidewalks, city streets and all that. You have an army of people brought in there to do these things and the speculators have gone ahead of that and sold out. Now I say the speculator obviously created these values and upon the principle of a man being entitled to what he himself creates he is entitled to all that he got.

But here is the other point: they say that taxation will get after the speculator—that the Single Tax will catch him. Go to those same cities, analyze the process, ascertain who the people are who took in hundreds of acres, converted them into city lots, sold them within the next twelve or eighteen months to other people and then went out from there and took in more and sold it again—find out whether the Single Tax got after them. No, they got in and they got out, and some of them are multi-millionaires today. They hardly paid a cent of taxes and they don't need to pay any more. They have unloaded on other people and the people on whom they first unloaded have unloaded on the second comers and made money.

This was a common experience with the type of man who had made twenty or thirty thousand dollars, not one of the rich speculators, but a secondary speculator. He would talk about having come from down east, and would say "At the school they all looked on me as somewhat of a back number. There was Jim So and So who always stood at the head of the class and I was way down; but I tell you when it comes to the real thing in life—that is what puts it up to you. Those fellows are stuck in the mud down there and I am worth thirty, forty or fifty thousand dollars. That's the real test of intelligence and brains." "Well," I would say to some of these people, "yes, but can you show me any fool out here who dipped in and lost?" Everything was going up. It didn't matter what they bought; it went up. City lots, rural districts—everything went up and up and up. But what I want to see is, when the thing starts the other way, who is going to save himself. That is the man I will take to have the brains, and the man with the stuff on his hands will be the back number. He is the man who is going to pay the taxes. I do not take the real speculator to be the man who buys now and has to wait then, twenty or thirty years to turn over. The real speculator out there is the man who buys this year and has half of it sold next year and the other half the year after. You go to those cities and you will find that some of these millionaire speculators have gone away. Some of them who had money and who invested it through confidential agents took the money and went away; but a number of others joined the city council, started in to invest in sky-scrapers, big office buildings, stores, etc., which were in demand, and that is where they are now. And I did not find a single land speculator out there who was not shouting for the Single Tax. It gave him a halo of righteousness, to begin with, that he was the man paying the taxes,—and he wasn't, of course,—but it enabled him to escape taxes on his investments in the city.

Then there are a dozen other things familiar enough in the rapid development of the real estate booms in these cities. Every speculator is anxious to have the real estate assessed as high as possible because it enables him to borrow that much more money at fair rates in the old country and other places to put into local improvements, which give employment to other people to put up these stores, shops etc. So long as the foreign

capital is being brought in, they are booming their land and developing the cities. I say if any of you are curious, go out and investigate yourself. Don't write to the mayor of the city, or the city clerk or the treasurer because you know what you will get, but go and look into it. Get these very people, Single Taxers and so on, to sit down half an hour and go into details with them and you will find out. I have said that in cities out west—in Saskatoon and Winnipeg—and I have had a lot of Single Taxers come to refute me, and when I demonstrated it, they hadn't a word to say.

When it comes to an absolutely solid basis all these cities will come to a point at which they will have to worry along and have to get their industries and learn over again, and then and then only I would look to them as an example for your older cities and older country. And I am perfectly confident from what I have seen and heard out there that there will be a terrible sweep the other way, because no man is going to pay a high price for a lot which he expects to convert into a garden, with perhaps a small house on it—not if he is taxed up to the limit and all these multi-millionaires go scot free with their fine buildings in the cities.

On this question of land, I think Mr. Shields made it perfectly clear that if you take away the rent value from a piece of property there is nothing left. Mr. Fillebrown says you can still own the property. Of course, so you can . . . if you still care to. You can put up a fine building on the property and if the state comes along and takes away the building rent, you can own that too, but to what good. But Mr. Fillebrown may say that the land was put there for use and the building was put there for use and when a man comes along and uses the building to sell goods in it to keep offices in it, he says he is getting the value. Of course *he* is. And if the state takes the rental of the land and the rental of the building, the other man can go hang.

Before following our Canadian example, wait and see what happens.

Equity Series. 1: 185-204. December, 1898.**Criticism of the Single Tax. Newton M. Taylor.**

Mr. Henry George in his book entitled "Progress and Poverty," describes in a most eloquent and powerful manner the ruinous effect on society of the monopoly of the land of a country by a comparatively small number of its citizens, and as a remedy he proposed, "To abolish all taxation save that upon land values." I freely endorse all that he has so eloquently said concerning the evils of land monopoly, but I am firmly convinced that he has wholly misconceived the true remedy. Before showing some of the unjust and disastrous effects that would result from the enforcement of this system of taxation, I desire to briefly notice a few of the peculiar catch words and phrases by means of which the Single Taxers greatly deceive themselves.

Indictment No. 1. They have a great deal to say about "land values," and say that they propose to tax "land values." But that is nothing new, for we have always taxed land values. We tax the fertile land in our valleys from two to ten times as much as we do the land in broken, hilly, rocky and mountainous regions, for the simple reason that it is worth more—it has more value. For the same reason we now tax an eighth of an acre of land in a town or city as much as we do a hundred—or two hundred—or five hundred—acres of good land in the adjoining country districts. We tax everything according to its value. We tax one horse at forty dollars and another at one or two hundred dollars or even much more than that, because they possess different amounts of value. We always tax value—horse value, cow value and land value. Yet the Single Taxer rolls the phrase "land value" under his tongue as a sweet morsel and imagines that it is a wholly new idea. When we tax land we necessarily tax land value. To say that there is any difference in taxing "land" and taxing "land value" is absurd. It is simply a play on words. When the Single Taxer proposes to throw all of the burden of taxation upon "land value" he simply means upon "land" alone. Of course, the word land includes lots, mines, etc.

Indictment No. 2. The Single Taxer talks a great deal about the "unearned increment," by which he means the increase in the

value or price of land as the demand for it increases by the increase in population. He says that the unearned increment should be taxed. But we are now doing that, and always have done so. As land increases in value we increase the tax assessment on it. Farm lands and city lots in the state of Illinois and city of Chicago are assessed at many times as much now as they were fifty years ago. Then when the Single Taxer says that he proposes to tax unearned increment he means nothing new. We have always done that. It is simply one of his plays upon words.

Indictment No. 3. The Single Tax advocate greatly overdraws the fact of the unearned increment. There is very little prairie land in the Eastern and Southern states—as well as in many of the Western states. In their natural condition they were covered with dense forests and almost impenetrable growths of underbrush. Large areas were swampy low lands, and much of the land was covered with rocks and stones as a legacy of the glacial period. Our city Single Tax agitators (and they are mostly found in cities) do not seem to have the slightest idea of the amount of labor it took to make beautiful farms out of those heavily timbered, rocky and swampy lands, to say nothing of the hardships and privations that were endured by our forefathers. If we only rate that labor at fifty cents a day for each day spent in clearing of those forests, digging out the roots and stumps, ditching and draining the swamps and gathering up the rocks and stones, these lands would not now sell for enough to pay for the work. As to these vast areas there is absolutely no unearned increment. Yet, as we will see further on, the Single Taxer wants to throw much of the burden of taxation on these lands!

In our towns and cities and in prairie countries there has been a large unearned increment. I say "has been" advisedly, because for the most part the unearned increment has been harvested and scattered to the four quarters of the globe, and the property is for the most part in the hands of innocent purchasers. As to our farm lands, the unearned increment reached its high water mark twenty-five years ago and since that time they have declined in price nearly if not quite 50 per cent. And the owners of real estate in the most of our towns and cities have during that period suffered in the same way, only the decrease has not

been so great. But the process is still going on and it will continue for many years, because the most of our towns and smaller cities have attained their normal size, and many of them have outgrown the country surrounding them. Many of them are not gaining at all in population and in most of them the future growth will be exceedingly slow. Besides all this, town and city lots must go down to the gold basis if we maintain the gold standard. Farm lands and commodities have gone down in price to correspond with the rise in gold, and town and city property must do the same. Nothing can resist the fall of prices consequent upon a rising monetary unit. Everything must sooner or later go down to the common level of general prices.

An old citizen of Philadelphia says that back as far as 1820 farm lands in the vicinity of that city were as high as they are now. And we all know of the hundreds of farms thruout New England that have been abandoned in the last twenty-five years.

Therefore it is important to remember that as to a large part of our country there is not now and there never has been any unearned increment, and that if there is to be any confiscation done it should not apply to any of these lands. And we should also remember that as to those parts of the country where there was any unearned increment as to lands and lots, the most of the persons who got the benefit of it are in their graves, and that the most of these lands are now owned by persons who paid full value for them, and who in many instances have already lost money on them. There has either been no rise in price—unearned increment—or the interest on the money invested and taxes have more than counter-balanced it. It will be very difficult for the ordinary person to see why the public should confiscate these last named lands and lots. So I respectfully submit that when our Single Taxers talk about the unearned increment they are for the most part talking about a back number—ancient history.

Indictment No. 4. There is another word about which our Single Tax advocate has very confused ideas. I have reference to the word rent. It simply means the consideration paid to the owner of the land for the temporary use and occupation of the land by another. But the census of 1890 showed that 3,142,746 of our farms are occupied by the men who own them, and that

there are only 1,624,433 rented farms in this country. The 3,142,746 farmers pay no rent. And the census reports show that 2,928,671 of our homes in our towns, villages and cities are owned by the families occupying them, and therefore these persons pay no rent. In heaven's name are the homes, farms and residences of all of these six millions of families to be confiscated simply to enable us to punish the landlords of the country? In his inscrutable reasoning and elastic conscience the Single Taxer says yes. He has to do so for he makes no distinction between the property occupied by its owner and rented property.

The Single Taxers actually want the government to forcibly appropriate these millions of homes and farms without compensation and force all of these people to go to paying rent—that is a tax that is to be equal to and as burdensome as the rent that is now paid by our tenants to our landlords. They want to return to feudalism and change everybody into tenants and make the reign of rent universal. I protest against this ruinous scheme. Instead of destroying our millions of happy homesteads in our villages and towns, cities and country districts, we should foster, protect and multiply them. Instead of increasing the burden of taxation on them we should relieve them from taxation, and throw all of that burden on our large estates, on our landlords, and wealthy owners of both real and personal property. Our homesteads are the very last thing that should be taxed.

But Mr. George in his book says that this theory will not result in the confiscation of land, but only of the rent, and by confiscation of rent he means the imposition of an annual tax that shall be equal to the annual rental value of the real estate. Here is another instance of that play upon words in the art of which he was a consummate master, and which he handed down to his disciples. Yet in the same paragraph he admits that by taking the "rent" he is taking the "kernel" and only leaving the landowner the "shell." (See Chapter II., Book 8.)

A simple illustration will prove that it would be the actual confiscation of the real estate itself. Let us suppose that Mr. A. rents a farm at a yearly rental of \$300, which was about 6 per cent of the value of the property. He pays the rent for several years, and finally to avoid the further payment of rent he concludes to buy the land. He manages to make the first

payment and gives his note for the balance, payable in installments and secured by a mortgage on the land. He finally succeeds in paying for the property. But about that time a Single Tax law is passed and he is at once forced to pay a tax of \$300 a year. How much better off is he than he was before he bought the land. None at all. He has lost the money and value he paid for the property. And he would still be liable for the unpaid purchase money notes. He could not sell the property because no sane man would buy property upon which he would have to pay the government a tax equal to a full rental for the privilege of occupying it. No sane man would pay much for the mere "shell."

In Chapter III., Book 9, Mr. George admits that the land could not be sold, and that his scheme would result in public ownership of land, and he says that the former private land owners should not receive any compensation for this loss. But he says that the holders of vacant lands and lots would be compelled to sell them. How could they sell that which has been appropriated by the public? In Chapter I of the same book he says that his scheme "would be in effect putting up the land at auction to whoever would pay the highest rent to the state." Is not this confiscation? It is confiscation of both the land in the rural districts and the lots in towns and cities.

Indictment No. 5. The Single Taxers exaggerate at least one thousand-fold the amount of land and number of lots that are being held out for use for speculative purposes, or in other words to procure an unearned increment. As to our town and city lots, the taxes and interest on the money invested in them prohibit their being held out of use for any great length of time. When the 7 to 9 per cent of interest and taxes exceeds the annual increase of the market value of the lots, as is the case at present in the vast majority of our towns and cities, the lots will be improved as rapidly as there is any demand for houses. In fact, the zeal of the owners of lots to make them bring in a yearly income usually results in an excess of houses. The large surplus of unemployed capital in this country is anxiously seeking profitable investment in houses. That these causes lead to a supply far in excess of the demand for houses is demonstrated by the 23,000 vacant houses said to be in Philadelphia and the vacant houses on every street in Chicago, and the same condition

exists in our towns and cities all over the country. Then why should these lots be built upon? Vacant houses are not a credit to any town nor a source of profit to their owners. And certainly no person wants to in any way entice our rural population to move to our towns and cities in order to occupy these vacant lots. The tide should be turned in the other direction—away from the cities to quiet country homesteads. There are too many people in our towns and cities now. Whenever there is a labor strike there are always, in good times as well as in bad times, thousands of unemployed who are eager to take the places of the strikers. Houses and lots can be rented at a low rental that hardly pays 6 per cent interest on the investment. This ought to be free enough to suit the most fastidious.

As to our farm lands, the facts are clearly against the claims of the Single Taxers. The world's demand for grains, vegetables, fruits and meats is so great that no man can afford to deliberately hold good farming lands out of use. If the owner does not desire to live upon them and farm them himself, he can rent them to others for a fair annual rental, and of course he will do so. A man can rent his land out for what it will bring and still hold it for an increase in price so he may be able to sell at a profit. Why should he not do so? Will a duck swim? The simple fact is that land owners do not to any material extent withhold their land from use. They have to pay taxes on it every year and it is but natural that they should make it yield enough to pay the taxes and also pay as much as possible on the money invested in it. And especially is this true at a time when the price of the land is declining, as it has been in this country for the last twenty-five years. Their lands are being used either for cropping or grazing purposes. Surely no one wants any more of our forests cut down, in order to increase the area of cultivable land. Too many of our forests have been cut down already by our citizens in their greed and zeal to put land into use and make it yield a profit. The amount of farming land and the number of lots that are being held out of use is very small indeed, and yet for the purpose of forcing these lands and lots into use before there is any active demand for them, the Single Taxer would destroy five or six millions of homesteads and compel them to be yearly let "out to the highest bidders in lots to suit," as Mr. George expresses it in his book.

What a queer old world we live in any way! Truly it takes all kinds of men to make a world.

Indictment No. 6. What would become of the three or four billions of mortgage debts that now are secured by these homesteads? Is repudiation to be added to confiscation? It would seem so.

But let us analyze this mortgage question, for our Single Taxer who never stops to analyze anything and who has no use for the facts and figures shown by the government census reports. We will see that not only would our mortgage debtors be ruined, but that many of our mortgage creditors would be also. The total amount of our mortgage debts in 1890 was \$6,019,679,985. This was an increase of \$2,404,839,985 since 1888, and these mortgage debts now probably amount to ten billions of dollars. These mortgages are secured by both the real estate and the improvements thereon. Now let us suppose that the public through the Single Tax system, has appropriated the land. This throws the entire mortgage debt on the improvements and such personal property as the debtor may have subject to execution. Of course, the debtor will not be able to pay the debt after the real ownership of land has been taken from him, and he will have to pay interest on the debt and also a full rental on the land, if he chooses to remain on it. As we shall see further on, this rental would absorb all the profits he could make out of the land by tilling it, and he could not pay the annual interest on the debt—much less the principal. The result would be that the mortgage would be foreclosed on the improvements. This is a most serious matter, because in 1890, 273,352,109 acres of our improved farms were under mortgage and thousands of homes in towns and cities were also encumbered.

I leave for the Single Taxers to say what the improvements would sell for without the land. They have never been able to agree among themselves what will be the status of the improvements on real estate under their system. We know that in most instances they would not sell for half enough to satisfy the mortgage debt, interest and costs of rent. The balance of the judgment would be levied on such personal property as the debtor might have and he would be turned out of house and home a pauper. In ninety-nine cases out of one hundred the personal property of the debtor would not sell for enough to

pay the deficit and the creditor would lose the greater part of his debt, for in most instances mortgage farm loans are made principally on the value of the real estate irrespective of the improvements. It must be clear to all that the uncompensated appropriation of the land of the nation by the general public would result in ruin to our mortgage debtors and repudiation and ruin to many of our mortgage creditors.

Indictment No. 7. But this is not all of the case against the Single Tax by a great deal. There is probably more money loaned out on personal security—on notes with sureties—than there is on mortgage security. In reckoning the solvency of the makers of these notes and their sureties the creditor looks principally to the amount of the unincumbered real estate they own. If the government by the Single Tax appropriates all of this land it so far destroys the security of those notes and also so far destroys the ability of the debtors to pay the notes. Hence suits will be brought on the notes, the debtors will be stripped of their improvements and personal property and even then the creditors will probably lose a part of their claims. When we consider the fact that the last census report shows that the people of this country owed over twenty billions of dollars on those classes of debts that could be readily ascertained and tabulated by our census takers, and that the other debts amounted to nearly as much more, we can form some faint conception of the disastrous and far-reaching effects of the adoption of the Single Tax system. Is it not perfectly plain that it would result in the creditors absorbing the greater part of the personal property of the nation and also the greater part of the improvements on our real estate, and all this property they would hold free from taxation? Yet the Single Taxers pose as the friends of the common people!

As we have seen, after exhausting the improvements and personal property of the debtors, in most cases the debt would still be unpaid and there would be a loss to the creditor. The rich creditor could stand this loss, as he would have plenty left to satisfy not only his necessities but every conceivable luxury. But not so with the poor creditors who have their savings or small patrimony loaned out. This loss would be heavy and ruinous to them. The deposits in our savings banks amount to \$2,065,631,298. They are mostly loaned on real estate security,

The Single Tax would ruin every savings bank in the country and their depositors would lose their savings. Our people have deposited in our national banks \$2,106,600,000, and also fully as much more in our private banks, trust companies, building and loan associations, etc. Much of this money is loaned out either directly or indirectly on real estate security. It is certain that these depositors would lose enormously by the appropriation by the government of the lands and securing these loans.

Therefore it is perfectly clear that the Single Tax would rob over six millions of our citizens of their homes and personal property, and rob the poorer class of our creditors of their savings, and bankrupt tens of thousands of our business men and produce the worst panic ever known in the history of the world. And yet Mr. George says in Chapter IV. of Book 9 that "this measure would make no one poorer but such as could be made a great deal poorer without being really hurt," and that "it would impoverish no one." And his followers try to believe it. But they dare not attempt to enter upon any proof in regard to the matter. The facts are against them. It should also be remembered that our business men are heavy creditors and a loss of a material portion of their bills receivable would bankrupt them. Yet this would be the inevitable result if the debtors of business men were to be robbed of their lands and lots and they would all have to go to paying rent. They would not be able to pay their debts to business men. Surely our Single Tax friends "know what they do."

Indictment No. 8. But let us go a little deeper into this question. It will be necessary to make a few calculations. In his fine flights of oratory Mr. George did not stop to bother with figures, and his disciples have inherited his weakness in the science of mathematics. The reports of the census and statistical departments of our government have no charm for them. We will therefore have to do the calculating for them.

Their proposition is to throw all taxes on land alone. And when the Single Taxer uses the word "all" he means just what he says. Therefore Henry George was a free trader, and in Chapter III of Book 9 of "Progress and Poverty" he makes a strong argument against tariff duties; and of course he was opposed to our internal revenue laws because tobaccos and liquors are personal property. And his followers are free traders almost

to a man. Then let us see how much of a burden this theory of taxation would throw on land alone.

Let us first see what would be the annual tax rate or rental under this system for state and local governments alone without interfering with our present tariff and internal revenue laws.

The total property assessed for taxation in this country in 1890 was as follows:

Real estate and improvements.....	\$13,956,556,675
Personal property	6,516,616,743
Total.....	\$25,473,173,418

The total taxes collected on this property in 1890 by state and local governments amounted to \$470,651,927. This makes the average tax rate a very small fraction less than 2 per cent. It will be noticed that the land and improvements are given together. Therefore we must next get at the probable value of the land alone. In the state of Massachusetts the land and the improvements are assessed separately, and in 1880 the land and lots of the state were assessed at \$587,824,672, while the improvements were assessed at \$752,669,001. The improvements amounted to 56 per cent and the lands and lots 44 per cent. In states having large cities like Chicago, New York or Philadelphia the per cent of improvements would be considerably larger, while in some of the sparsely settled Western states the value of the lands would exceed that of the improvements. In England the improvements are valued at £2,280,000,000, while the lands and lots are only valued at £1,880,000,000. Therefore it would seem that taking our country over the value of the lands and of the improvements are about equal. And this was the estimate of the census department in 1880, showing that at that time the real estate of the country was assessed at \$6,592,000,000, while the improvements were assessed at \$6,437,000,000. By counting them of equal value in 1890 this gives us the assessed value of the land alone at \$9,478,278,337. Throwing upon this land the total expenses of the state and local governments for that year—\$470,651,927—would give us an average tax rate of about 5 per cent. That is to say, that the farmer who owns a farm of 100 acres worth \$50 per acre without improvements would have to pay taxes to the amount of \$250 per year on his \$5,000 worth of land. Under our present system, if we count

his buildings and personal property at \$2,000 (which is a liberal estimate for the average farm) his taxes would only amount to 2 per cent on \$7,000—\$140. But as a rule the citizens in towns and cities have more value in their improvements and personal property than they have in their lots.

Let us take the typical shoe or dry goods merchant in the ordinary county seat of from three to ten thousand inhabitants, who owns his home and whose combined property is assessed at \$7,000, the same as our farmer above mentioned. Under our present system of taxing all wealth alike, his taxable wealth would be something like this:

Residence lot	\$1,000.00
House, barn, fences, etc.....	2,000.00
Furniture, carpets, piano, etc.....	500.00
Stock of goods in store.....	3,500.00
Total.....	\$7,000.00

Under our present system with an average tax rate of about two per cent, his taxes will be \$140. But under the Single Tax five per cent rate on the lot alone his tax would only be \$50, while under the same system the farmer of the same wealth would have to pay \$250 on his land. Is not this an unjust discrimination against the farmer and in favor of the merchant? But let us consider the thousands of men in towns and cities who have an abundance of personal property and no real estate. They would escape taxation entirely under the Single Tax. Take the store keeper who has say \$7,000 worth of goods in his store, and furniture in his house, etc., or take the money lender who has \$7,000 loaned out on interest. Is it right to relieve them from taxation entirely and make the farmer owning a like amount of property pay an annual tax of \$250? That is precisely what the Single Taxer proposes to do! The stores, the factories, the hotels and office buildings and the notes, etc., are means of production, and why should not they be taxed the same as the farmer's means of production? The land is the farmer's means of production and it is absolutely criminal to relieve the means of production of all other classes of citizens from taxation and thereby greatly increase the burden of taxation on the farmer's means of production. And when we remember that under the single land tax, the wealthy owners of the billions worth of property in the form of stores, factories, money, notes, mortgages,

stocks, bonds, street cars, railroad cars and engines, etc., would escape taxation, the enormity of the proposition is more apparent. These things are all means of production and they are piling up millions of wealth for their owners every year, and they should not be relieved of taxes and the additional burden thrown upon the farmers' means of production. From the land the farmers produce the food we eat and the raw materials for the clothing we wear. Why should all the burden of taxation be thrown upon our primary means of production? The taxes must be raised and it is an undeniable proposition that if we relieve one class of citizens from taxation the taxes of the other classes will be increased. If we relieve all personal property and improvements from taxation we thereby of necessity increase the tax on land. Surely no man can be found to deny these propositions.

That we have a large class of extremely wealthy citizens in this country (mostly in cities) who own hundreds of millions of dollars worth of personal property and very little or no real estate, is true. Twenty millions of our citizens live in our 448 cities of ten thousand inhabitants and over. These people own nine-tenths of the personal property and improvements of the nation. Why should they be relieved from taxation? The conclusion cannot be avoided that if we relieve them from taxation, the owners of the land and lots must bear the additional burden, and that their taxes will be increased and they as a rule are least able to bear it.

Let us take a much older country than ours for an illustration. In Belgium in 1872 the total amount of taxes raised was 213,352,689 francs. Of this amount only 20,258,083 francs were raised on land and improvements, and only 13,230,057 francs on personal property. The remainder was raised by means of trade licenses, stamp duties, custom and excise duties, income and inheritance taxes, etc. Is it not clear that if all this tax should be put upon the land alone the burden would be enormous and utterly unbearable? Of course in a new and thinly settled country where there are but few valuable improvements and where there is but little personal property, and where the public expenses are light and they are already of necessity mostly raised on real estate, the adoption of the Single Tax would not throw much extra burden on real estate. This has been proven in some of the new countries in Australia, where the Single

Tax has been adopted in a modified form. But conditions are altogether different in older countries where the public expenses are heavy and are mostly raised on things other than real estate. The state of Pennsylvania levies no tax for state purposes on real estate at all, but only on personalty, corporations, inheritance, etc.

But let us consider the question solely as to the owners of real estate and improvements. Here again we must simply open our eyes to the facts and see that there are classes of real estate owners whose per cent of improvements on their real estate is much larger than is that of other classes of real estate owners. By the exemption of improvements from taxation the former would be greatly benefitted at the expense of the latter. That this would again be a discrimination in favor of the rich and against the poorer and middle classes is evident, because it is the rich only that can own palatial residences, ten and twenty story hotels and office buildings, and enormous store buildings and factories covering whole squares. Their excess of improvements over land is very large.

Who are the poorer classes of real estate owners who would be hurt by this system? Let us first look to our towns and cities. The vast majority of our town and city lots are occupied for residence purposes. The lots in any one portion of our towns and smaller cities are of about the same value. Yet the improvements upon them generally differ very widely in extent and value. One lot owned by a rich man may have on it a house worth ten, twenty or fifty thousand dollars, and which would be filled with fine furniture, carpets, tapestry, paintings and musical instruments of the value of many thousands of dollars, while another lot in the same square and on the same street and of the same market value, but belonging to a poor man, may have on it a residence worth only a thousand dollars, and have in it furniture, etc., not to exceed \$500 in value. Is it not as clear as the open light of day that if we relieve the improvements and personal property of the former from all taxation we are favoring the rich man much more than the poor man? And it must be plain that the taxes now paid by the rich man on his fine house and contents or his hotel, business block or factory, will not be shifted to his lot alone, but that a great part will be shifted to the lots of his poorer neighbors, and also to the small

farmers whose lands are worth more than their improvements and personal property.

In a town or city there will be a thousand houses on 100 acres of land, while in the country there will only be one house on that amount of land. If we relieve the 1,000 town houses from taxation a large part of that burden will of necessity fall upon the farms where the per cent of improvements to a given amount of land is small.

But let us for a moment consider the question solely from the farm owners' standpoint, as among themselves. The first fact to observe is that they too are divided into the rich and the poor, as determined by the amount of land they own. The last census shows that the farms of 100 acres and under in size were 2,440,006 in number, covering an area of 122,000,300 acres, and their owners may be considered as the poorer class of farm owners. There were also, at that date 3,246,128 farms of over 100 acres in extent, covering an area of 973,836,000 acres, and their owners may justly be classed among the rich class of land owners. Now, the question is, which class has the greater per cent of improvements and personal property as compared with the value of the land alone. When this is determined we can then easily tell which class is benefitted and which class is injured by exempting personalty and improvements from taxation and throwing the whole burden of taxes on land alone.

Those who have any knowledge of farmers and farm life know that it is on the large farms that we find the fine residences and large barns, and also the latest and costliest farming implements and machinery, and also the large flocks of sheep, droves of horses and hogs, and herds of cattle, running up in value to tens or even hundreds of thousands of dollars in value. The small farmer lives in a cottage, and as he is forced to make the most out of his land he cultivates the most of it and sells the grain and vegetables. This leaves him but little land for grazing purposes, and therefore he cannot have much live stock about him. He must be content with a milk cow or two, a team of horses and a few pigs. And he cannot afford expensive implements and machinery. He does his work in the old methods as far as possible. Therefore, it must be clear that the owners of large farms will be benefitted by the Single Tax, and that the owners of small farms will be damaged by it. In the last

analysis of the whole matter it is evident that the general effect of the whole scheme will be favorable to all classes of rich people and unfavorable to the holders of small farms and the poorer classes of lot owners in our towns and cities, and that the greater part of the taxes now paid by the rich will be shifted on the classes last named. The little that the latter would gain by relieving their personal property and improvements would be small indeed as compared with the increase in the taxes on their lands and lots. The fact is that in many of our states they are now relieved of taxation on much of their personal property. In these states the Single Tax would bear heaviest on them. And yet these are the very classes that most need assistance and encouragement. Instead of increasing the taxes on them we ought to exempt them from taxation altogether. We cannot have too many small homesteads in town, city and country. We ought to so legislate as to multiply them a thousand-fold; and we can do so if we only will. The experience of other nations as well as our own points to an easy and certain way. There is no need of trying any wild experiments. The farms in France only average $12\frac{1}{2}$ acres in size. Every one of them supports a family. We need to so legislate as to subdivide our land into small family homesteads that shall be cherished and loved and handed down in the same family for generations.

But let us consider the effect of a five per cent tax on our six millions of home owners in town, city and country. This is about what Mr. George thought the tax would be, for in Chapter 19, Book IX, he says that his system would "very nearly consume the value of the land," and five per cent is about the average per cent of profit on the money invested in real estate. So far as people in towns and cities are concerned the five per cent on the value of their lots only would not be oppressive because they own so much in improvements and personal property which would be exempted from taxation. Taking our merchant who owns \$6,000 in improvements and personal property and only \$1,000 worth of land as an example, if he is exempted from all tax on the \$6,000, he can afford to pay fifty dollars a year tax on his \$1,000 lot, as that would be much less than he now pays on all of his property. But the burden that is shifted from him must fall upon somebody else.

As we have seen it would fall mostly upon the owners of small farms and homes in towns and cities who have but little personal property and whose farms and lots are worth more than the improvements upon them, as is so frequently the case. If a mechanic owns a lot worth \$1,000 and a cottage on it worth \$800, the five per cent on his lot would amount to considerably more than his taxes under our present system. But still he might be able to pay it if he does not get sick or lose his employment.

But how will it be with the farmer whose tax has been raised from \$140 to \$250 on one hundred acres of land? Those who know anything about the profits of small farms for the last 25 years know that such a large additional burden as that would be absolutely unbearable. Their very narrow margin of profits was clearly shown by the elaborate investigation of the matter by the Labor Commissioner of Connecticut in 1888. The accounts covered 693 farms of that state averaging 110 acres each, and showing a total capital employed of \$3,810,742. The total receipts, including products consumed by family, were \$707,153, and the total expenditures, including products consumed in family support, but not counting labor done by the owner and his family, were \$680,990, thus showing a net profit of only \$16,163. It is safe to say that the farms of Connecticut could not stand a tax of five per cent on their farm land. And what is true of them is true of a majority of small farmers all over the country. Many of them have not been able to make ends meet, and have been forced to mortgage their farms in the last few years, and many have lost their farms entirely.

And here is another very serious matter that must be considered. The census of 1890 showed that 886,957 of our improved farms, aggregating 273,352,109 acres, were encumbered by mortgages. Then we must squarely face the question as to whether or not the owners of these encumbered farms could pay their mortgage debts and the increased taxes? The above statistics from Connecticut and the experience of small farmers all over the country unite in saying that they could not. The mortgages would be foreclosed by the wholesale and the creditors would get the improvements and possession of the farms and the debtors would be turned adrift. It is safe to say that the farmers of the country will never favor the Single Tax, and

that they will have a very poor opinion of those persons who are trying to take their farms from them in this way.

Indictment No. 9.—But the half have not yet been told in regard to the deadly effects of the Single Tax. We have seen that if the expenses of our state and local governments were thrown upon land alone, the tax rate would be five per cent. But in addition to this the Single Taxers propose to abolish our tariff and internal revenue laws and throw upon our land the enormous expenses of our general government!! Now of course they have never calculated the effects of this. The government statistical and census reports have been open to them. They have even been published in pamphlet form for free distribution by the government. And abstracts of them have been published in cheap form in our newspaper almanacs. But our friends do not want to be bothered with facts. Their minds are too full of theories. I have already quoted freely from those reports and I will be obliged to do so once more to find out what this additional burden will be.

In determining this question I have thought best to take the expenses of the government for 1896, as that was before our very honorable war with Spain was begun, and also before our very dishonorable war with the Philippines was begun, and the expenses for that year were about normal. The reports of the Secretary of the Treasury show that the expenses of the government for 1896 amounted to \$748,369,469. If to this we add the \$470,651,927 annual expenses of our state and local governments we have a total annual tax of \$1,219,021,396 that our Single Tax friends propose to saddle on our land and lots every year. As we have seen the land and lots are now assessed at \$9,478,278,337. This would give us an annual tax rate on our real estate alone of nearly 13 per cent!! Still carrying the illustration of the mechanic in the city who owns a lot worth \$1,000 and the farmer who has a farm worth \$5,000, this would make the annual tax of the mechanic \$130 and of the farmer \$650. And yet we are gravely told that the Single Tax would give us "free land." The mechanic might possibly stand this, but it is absolutely certain that the farmer could not. He could not protect himself by raising the prices of his farm products because under free trade any material increase here of the price over the average world price, would bring farm products to us

from ~~the price of the land~~ and even if the farmer could raise the price of the land to correspond to the increased taxes on his land, this would be shifting the tax to the consumers in our towns and cities and the objects of the city Single Taxers would be defeated. They do not want to pay any tax either directly or indirectly.

Other points might be made against the Single Tax, but I have already exceeded the space allowed for this article. I think the nine indictments with the facts and statements given are sufficient to demonstrate the utter folly and injustice of the system.

There are plenty of ways of preventing land monopoly that would not have the unjust, demoralizing and disastrous effects of the Single Tax. Progressive taxation would be a good remedy with no disastrous effects. The same is true of a system of graduated income and inheritance taxation. A system embracing the exemption of homesteads from taxation, heavy stamp duties on sales of real estate not to be used as homesteads, the exemption of homesteads from mortgages, and the establishment of government agricultural villages for the very poor, would be a more complete remedy, with no bad effects whatever. And to these could be added the income and inheritance tax. There is no possible excuse for so visionary, revolutionary and disastrous a scheme as the Single Tax.

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